SECOND REPORT

ESTIMATES COMMITTEE
(2009-2010)

(FIFTEENTH LOK SABHA)

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION

[Drought Management, Foodgrain Production and Price Situation]

Presented to Lok Sabha on 24.11.2009

LOK SABHA SECRETARIAT
NEW DELHI

November,2009/Agrahayana, 1931(S)

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COMPOSITION OF THE COMMITTEE ON ESTIMATES (2009-2010)

Shri Francisco Sardinha – Chairman

Members

2 Smt. Harsimrat Kaur Badal
3 Shri Sanjay Singh Chauhan
4 Shri Adhir Ranjan Chowdhury
5 Shri Bhakta Charan Das
6 Shri Milind Deora
7 Shri T.K.S. Elangovan
8 Dr. Sanjay Jaiswal
9 Shri Ramesh Jigajinagi
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28 Shri Lalji Tandon
29 Shri Manish Tewari
30 Shri K.C. Venugopal

SECRETARIAT

1. Shri U.S. Saxena - Joint Secretary
2. Shri Bhupesh Kumar - Director
3. Shri C. Kalyanasundaram - Under Secretary

(I)

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorized by the Committee to submit the Report on their behalf present this Second Report on the aspects of the subject "Drought Management, Foodgrain Production and Price situation" pertaining to the Ministry of Consumer Affairs, Food and Public Distribution'.

2. The subject 'Drought management, foodgrain production and price situation' was selected for detailed examination by the Estimates Committee (2009-10) taking into view the erratic course of the South-West monsoon this year, its impact on the production of foodgrains and the price rise of essential commodities such as foodgrains, pulses and sugar. The subject matter falls under the purview of two Ministries. Drought management and foodgrain production are the subjects of the Ministry of Agriculture. The storage of foodgrains and the price situation are pertaining to the Ministry of Consumer Affairs, Food and Public Distribution.

3. In this Report, the Committee deal with the aspects of the subjects pertaining to the Ministry of Consumer Affairs, Food & Public Distribution. The representatives of the Ministry of Consumer Affairs, Food & Public Distribution briefed the Committee on 28.8.2009 on the subject. The Committee took their oral evidence on 9.9.2009 and again on 5.10.2009.

4. The Committee would like to express their gratitude to the Estimates Committee 2008-2009 for selection and examination of a similar subject viz. 'Foodgrain production, storage and price situation' and thereby providing valuable guidance to the present Committee.

5. The Committee wish to express their thanks to the Officers of the Ministry of Consumer Affairs, Food & Public Distribution for placing before them the written notes on the subject and for furnishing information desired in connection with the examination of the subject during the briefing and oral evidences.

6. The Committee considered the recommendations on the subject on 15.10.2009. They considered and adopted the Report at their sitting held on 19.11.2009.

7. For facility of reference, the observations/recommendations of the Committee have been printed in bold type at the end of the Report.

New Delhi;
November 23, 2009
Agrahayana 2, 1931 (Saka)

FRANCISCO SARDINHA
Chairman,
Committee on Estimates

REPORT

Introductory

Increase in population and the improvement in living standards of the people of our country has necessitated greater efficiency in procurement of foodgrains, maintenance of their stocks and their distribution to the people especially through Public Distribution System. Monitoring and taking necessary steps to contain the prices of foodgrains and other essential commodities such as sugar, pulses and vegetables is also very important in providing food security to the people. Moreover, this year South-West Monsoon was highly erratic and this had created a drought like situation in many parts of the country. Managing the drought, meeting the food needs of the people and controlling prices of food stuffs was the need of the hour. The Estimates Committee, therefore, have selected the subject 'Drought Management, foodgain production and price situation' for examination on priority basis. The subject falls under the purview of two Ministries. The drought management and foodgrains production is the concern of the Ministry of Agriculture. Procurement, maintenance of stocks and distribution of foodgrains as well as monitoring price situation are the subject matters of the Ministry of Consumer Affairs, Food and Public Distribution. This report deals with the aspects relating to the Ministry of Consumer Affairs, Food and Public Distribution.

CHAPTER - I

Department of Consumer Affairs

(a) Functions

1.1 The Committee has been informed that as far as the subject matter is concerned, the Department of Consumer Affairs is responsible for the following:

i) Internal Trade

ii) Control of Futures Trading: The Forward Contracts (Regulation) Act, 1952 (74 of 1952).

iii) The Essential Commodities Act, 1955 (10 of 1955) (Supply, Prices and Distribution of Essential Commodities not dealt with specifically by any other Department)

iv) Prevention of Black Marketing (68 of 1986) and Maintenance of Supply of Essential Commodities Act, 1980 (7 of Citizens Charter 1980). Persons subjected to detention thereunder.

In addition to above, pulses including import of pulses are under the jurisdiction of this department.

(b) Price Monitoring Cell

1.2 In response to a query on official mechanism available with the Department to respond and to contain the price rise of essential commodities such as foodgrains, pulses, sugar etc. it was stated by the Department of Consumer Affairs that a Price Monitoring Cell (PMC) set up under the Department is entrusted, *inter-alia,* with the task of monitoring of the prices and availability position of 17 essential commodities in the country viz., rice, wheat, atta, gram dal, tur/arhar dal, moong dal, urad dal, masoor dal, tea, milk, sugar, vanaspati, mustard oil, groundnut oil, potato, onion and salt, and other matters concerning price scenario based on the information received from the State Food and Civil Supplies Departments. Information on Retail Prices is received on daily basis from 27 centres of the country. Similarly, information on Wholesale Prices is received from 37 centres of the country on weekly basis. Reports are prepared in this

regard and sent to PMO, Cabinet Secretariat, Ministry of Finance and other concerned Departments. Besides, the situation of prices of essential commodities is regularly monitored at High Level Meetings of Cabinet Committee on Prices (CCP), Committee of Secretaries (COS) and Cabinet. The decisions taken in these meetings are implemented by the concerned Ministry/Department which are charged with the responsibility of the subject matter of the decision. The department further informed the Committee that PMC only monitors the action taken on those decisions and brings the report before the Cabinet, CCP or CoS as the case may be. In this regard, the Committee enquired during briefing why there is a mismatch between Government price data given in the website and market figures and the Department stated in a written reply that any variation, especially an increase in prices at the wholesale/retail level, is immediately taken note of and the concerned State Food and Civil Supplies Department is contacted for reasons thereof.

<u>High Level Committees on Price rise</u>

1.3 There is a Cabinet Committee on Prices which is chaired by the Prime Minister. Other members of the Committee include the Ministers of relevant ministries. Committee of Secretaries is chaired by the Cabinet Secretary. Other members include Secretaries of the relevant departments. There is a High Powered Price Monitoring Board (HPPMB) which is chaired by the Cabinet Secretary, Secretary (Coordination) or officer of the rank of Additional Secretary in the Cabinet Secretariat. Other members of the Board include the Secretary or officer of the rank of Additional Secretary/Joint Secretary of the relevant departments.

1.4 When asked about the functions of these high powered Committees/Board in regard to control of price rise of essential commodities, the department of Consumer Affairs stated in a written reply as follows:-

> "During these meetings, directions on appropriate measures/steps to be taken by the Departments concerned are given for containing the prices of essential

commodities within reasonable level and ensuring availability. Some of the important decisions taken during the meeting of Committee of Secretaries and High Powered Price Monitoring Board are further submitted for consideration of CCP or Cabinet."

1.5 It was further asked how many times these Committees did meet during 2008 and this year so far. In this regard, the Department in a written reply has stated that the High Powered Price Monitoring Board (HPPMB) held 8 meetings during January to June 2006. So far 68 meetings of CoS, 19 meetings of CCP, 1 meeting of the HPPMB and 8 meetings of the Cabinet have been held up to 20.08.09 on issues relating to prices and availability of essential commodities. Issues related to domestic and international prices and availability of essential commodities were discussed during the meetings. The Government has taken a series of measures based on the directions given by these Committees which are given below:

Fiscal Measures

(i) Reducing import duties to zero-for wheat, pulses, edible oils (crude) and maize (under TRQ of 5 lakh tonnes per annum, beyond which 15% duty will apply);

(ii) Reducing import duties on refined & hydrogenated oils & vegetable oils to 7.5%;

(iii) Reducing the import duty on Skimmed Milk Powder (SMP) from 15 to 5%;

(iv) Allowed import of raw sugar under Advance Authorization Scheme by sugar mills (at zero duty) upto 30.9.2009 (notified on 17.2.2009 and 2.3.2009);

(v) Allowed import of raw sugar at zero duty under O.G.L. upto 1.8.2009 by sugar mills (notified on 17.4.2009). This has since been extended up to 31.3.2010;

(vi) Allowed import of white/refined sugar by STC/MMTC/PEC and NAFED upto 1 million tonnes by 1.8.2009 under O.G.L. at zero duty (notified on 17.4.2009). This has since been extended upto 30.11.2009;

(vii) Levy obligation was removed in respect of all imported raw sugar and white/refined sugar.

Administrative Measures

(i) The export of edible oils is permitted in branded consumer packs of upto 5 kgs, subjects to all limit of 10,000 tonnes during the next one year up to 31st October, 2009;

(ii) Export of wheat and wheat products (atta, maida and suji) on private account was permitted after 15th May, 2009 with a cap of 2 million tonnes in 2009-10;

(iii) Banning export of non-basmati rice, edible oils and pulses (except kabuli chana);

(iv) No changes in Tariff Rate Values of edible oils;

(v) Imposition of stock limit orders in the case of paddy, rice, pulses, sugar, edible oils and oilseeds;

(vi) The periodic enhancements in MSP- currently Rs. 1080 per quintal for wheat, Rs. 950 per quintal (+Bonus of Rs. 50 per quintal) for common rice and Rs. 980 per quintal (+ Bonus of Rs. 50 per quintal) for Grade A rice, to maximize procurement of wheat and rice;

(vii) Using Minimum Export Price (MEP) to regulate exports of onion (averaging at $ 215 per tonne for September 2009) and basmati rice ($1100 PMT) w.e.f. 20.01.2009;

(viii) Maintaining the Central Issue Price (CIP) for rice (at Rs. 5.65 per kg for BPL and Rs. 3 per kg for AAY) and wheat (at Rs. 4.14 per kg for BPL and Rs. 2 per kg for AAY);

(ix) Futures trading in rice, urad and tur suspended by the Forward Market Commission in the year 2007-08 continued during the year 2008-09. Futures trading in sugar was suspended w.e.f. 27.5.2009 upto 31st December, 2009. Ban on Futures trading in wheat was revoked on 14.5.2009;

(x) Distribution of one million tonnes of imported edible oils to States/UTs at a subsidy of Rs. 15/kg;

(xi) To augment availability of pulses, the Public Sector Undertakings (namely, STC, MMTC and PEC) and NAFED were permitted to import and sell pulses under a scheme and losses, if any, upto 15% are reimbursed by the Government;

(xii) Distribution of imported pulses to State Governments at a subsidy of Rs. 10 per kg;

(xiii) Government permitted sugar factories to sell processed raw sugar in the domestic market and fulfill export obligation on tonne to tonne basis;

(xiv) Released 6 lakh tonnes of additional non levy sugar for April-June 2009 Quarter taking the total release to 60 lakh tonnes against 50 lakh tonnes in corresponding Quarter in 2008 and 50 lakh tonnes in January-March 2009. The availability of non-levy sugar for April, 2009 including the additional quota released stood at 22 lakh tonnes against 17 lakhs for March, 2009 and 17 lakh tonnes for April, 2008. For the month of May, 2009, release of non-levy sugar including additional quota released stood at 21 lakh tonnes as against 17.5 lakhs tonnes for March, 2009 and 17 lakh tonnes for April, 2008. For the month of May, 2009, release of non-levy sugar including additional quota released stood at 21 lakh tonnes as against release of 13.5 lakh tonnes for June, 2008. Besides about 1 lakh ton of raw sugar imported and reprocessed by sugar mills have been released during the month of June, 2009. For the month of July, a quantity of 14.90 lakh tonnes of sugar has been released which includes 12.67 lakh tonnes of normal non-levy sugar, 1.33 lakh tonnes of dismantled buffer stock and 0.90 lakh tonnes of refined raw sugar imported by sugar mills. For the month of August, 2009 a quantity of 16.50 lakh tonnes of sugar has been released which includes 13.7 lakh tonnes of normal non levy sugar, 1.33 lakh tonnes of dismantled buffer stock and 1.40 lakh tonnes of refined raw sugar imported by sugar mills.

(c) Wholesale and retail prices of Essential Commodities

1.6 Department of Consumer Affairs furnished the details of wholesale and retail prices of foodgrains and other essential commodities. The details are given below:-

(i) Wheat

Wholesale price of wheat (dara) as on 19.8.2009, at Delhi had remained steady at Rs. 1100 per quintal over the last one year. Retail prices of wheat at four metros as on 19.8.2009 and over different periods in the last year are as follows:-

	Daily Retail Prices of Wheat (in Rs. Per kg.)						
	Current date 19.8.2009	**Last Week 12.8.2009**	**1 month back 19.7.2009**	**3 months back 19.5.2009**	**6 months back 19.2.2009**	**1 year back 19.8.2008**	**Variation over last year**
DELHI	**13.00**	**13.00**	**13.00**	**14.00**	**13.00**	**13.00**	**0.00**
MUMBAI	**17.00**	**17.00**	**17.00**	**15.00**	**16.00**	**15.00**	**2.00**
KOLKATA	NT	NT	NT	NT	NT	NT	NT
CHENNAI	19.00	19.00	18.00	18.00	18.00	17.00	2.00

(ii) Rice

The wholesale price of rice (permal) at Delhi, as on 19.8.2009, had increased from Rs. 1575 to Rs. 1650 per quintal over the last year. Retail prices of rice at four metros as on 19.8.2009 and over different periods in the last year are as follows:

	Daily Retail Prices of Rice (in Rs. Per kg.)						
	Current date 19.8.2009	**Last Week 12.8.2009**	**1 month back 19.7.2009**	**3 months back 19.5.2009**	**6 months back 19.2.2009**	**1 year back 19.8.2008**	**Variation over last year**
DELHI	20.00	20.00	20.00	20.00	22.00	20.00	0.00
MUMBAI	19.00	19.00	19.00	17.00	18.00	17.00	2.00
KOLKATA	15.00	15.00	15.00	14.00	14.00	14.00	1.00
CHENNAI	19.00	19.00	19.00	19.00	18.00	18.00	1.00

(iii) Sugar

Wholesale prices of sugar at Delhi, as on 19.8.2009, had increased from Rs. 1820 to Rs. 2825 per quintal over the last one year. Retail prices of sugar at four metros as on 17.8.2009 and over different periods in the last year were:

	Daily Retail Prices of Sugar(in Rs. Per kg.)						
	Current date 19.8.2009	**Last Week 12.8.2009**	**1 month back 19.7.2009**	**3 months back 19.5.2009**	**6 months back 19.2.2009**	**1 year back 19.8.2008**	**Variation over last year**
DELHI	30.50	28.00	27.00	27.00	25.00	20.00	10.50
MUMBAI	27.00	27.00	27.00	26.00	24.00	21.50	5.50
KOLKATA	29.00	29.00	27.00	27.00	23.00	17.00	12.00
CHENNAI	26.00	26.00	25.00	25.00	22.00	21.00	5.00

(iv) Gram Dal (Chana)

Wholesale prices of gram dal at Delhi, as on 19.8.2009, had increased from Rs. 3050 to Rs. 3150 per quintal over the last one year. Retail prices at four metros as on 17.8.2009 and over different periods in the last year are as follows:

	Daily Retail Prices of Gram Dal (Chana) (in Rs. Per kg.)						
	Current date 19.8.2009	**Last Week 12.8.2009**	**1 month back 19.7.2009**	**3 months back 19.5.2009**	**6 months back 19.2.2009**	**1 year back 19.8.2008**	**Variation over last year**
DELHI	39.00	39.00	38.00	34.00	35.00	36.00	3.00
MUMBAI	38.00	38.00	38.00	35.00	34.00	40.00	-2.00
KOLKATA	36.00	36.00	38.00	35.00	38.00	36.00	0.00
CHENNAI	34.00	36.00	34.00	34.00	34.00	37.00	-3.00

(v) Arhar dal/Tur Dal

Wholesale prices of tur dal at Delhi, as on 19.8.2009, had increased from Rs. 3950 to Rs. 6850 per quintal over the last one year. Retail prices at four metros as on 19.8.2009 and over different periods in the last year are as follows:

	Daily Retail Prices of Arhar dal/Tur dal (in Rs. Per kg.)						
	Current date 19.8.2009	**Last Week 12.8.2009**	**1 month back 19.7.2009**	**3 months back 19.5.2009**	**6 months back 19.2.2009**	**1 year back 19.8.2008**	**Variation over last year**
DELHI	84.00	82.00	85.00	60.00	52.00	45.00	39.00
MUMBAI	78.00	78.00	75.00	57.00	51.00	47.00	31.00
KOLKATA	80.00	78.00	75.00	50.00	52.00	42.00	38.00
CHENNAI	87.00	70.00	62.00	58.00	58.00	48.00	39.00

(vi) Urad dal

Wholesale prices of urad dal at Delhi, as on 19.8.2009, had increased from Rs. 3125 to Rs. 4900 per quintal over the last one year. Retail prices at select centres as on 19.8.2009 and over different periods in the last year are as follows:

	Daily Retail Prices of Urad dal (in Rs. Per kg.)						
	Current date 19.8.2009	**Last Week 12.8.2009**	**1 month back 19.7.2009**	**3 months back 19.5.2009**	**6 months back 19.2.2009**	**1 year back 19.8.2008**	**Variation over last year**

DELHI	60.50	60.50	61.00	56.00	46.00	38.00	22.50
MUMBAI	63.00	63.00	58.00	50.00	46.00	47.00	16.00
KOLKATA	48.00	52.00	46.00	38.00	NR	NR	NR
CHENNAI	66.00	66.00	56.00	52.00	48.00	48.00	21.00

(vii) Moong dal

Wholesale prices of moong dal at Delhi, as on 19.8.2009, had increased from Rs. 3400 to Rs. 5450 per quintal over the last one year. Retail prices at select centres as on 17.8.2009 and over different periods in the last year are as follows:

	Daily Retail Prices of Moong dal (in Rs. Per kg.)						
	Current date 19.8.2009	**Last Week 12.8.2009**	**1 month back 19.7.2009**	**3 months back 19.5.2009**	**6 months back 19.2.2009**	**1 year back 19.8.2008**	**Variation over last year**
DELHI	60.50	61.00	62.00	57.00	45.00	40.00	20.50
MUMBAI	67.00	67.00	62.00	59.00	47.00	47.00	20.00
KOLKATA	60.00	56.00	60.00	52.00	50.00	NR	NR
CHENNAI	66.00	66.00	58.00	55.00	50.00	45.00	21.00

1.7 During briefing, the Committee asked for the reasons for huge margin between wholesale and retail prices and observed that it is necessary to fix upper limit on wholesale and retail prices. The Department of Consumer Affairs in its written reply stated that the whole sale/retail prices are largely determined by the market forces. Difference in consumer price and sale price of produce of foodgrains is mainly due to (i) transportation and handling costs (ii) packaging and other marketing expenses at retail, (iii) retailers mark-up and (iv) various taxes levied by different State Governments e.g. octroi duty. The difference between wholesale price and retail price of essential commodities are generally found to range between 5% and 20% depending on the commodity and location. The Department further stated that the Government closely monitors the wholesale/retail prices of select essential commodities at select centres and that during the annual meeting with the State Chief Secretaries, State Governments and UT Administrations, they were requested to initiate steps to identify the reasons for

the same and to reduce the gap. In the meeting it has been reiterated by the Prime Minister and the Minister for Food, Consumer Affairs, and Public Distribution that the State Governments have an important role in checking the rise in the prices of essential commodities through a set of administrative and regulatory measures. In this regard, the Department informed the Committee that Government of Tamil Nadu have constituted a Price Watch Committee under Chairmanship of Chief Secretary; Government of Maharashtra has in place a Price Monitoring Cell under the Chairmanship of the Chief Secretary.

1.8 During oral evidence, the Committee observed that it is imperative that other States should also set up such Monitoring Cells and when enquired about the steps taken by the Government in that regard, the Secretary, Consumer Affairs informed the Committee as under:-

> "We have requested all the State Governments that they should have a similar mechanism at the State level where the prices should be monitored. We will again take up this issue with other State Governments that they should also continuously monitor the prices in their States".

1.9 During oral evidence, the Committee observed that there is a consistent rise in prices for the last ten years whether there was drought or not. It is independent of production. There should be a mechanism to check it. When the production of a foodgrain is going down, the Government allows its import so as to maintain availability in the market. At present, even after the import, the prices are going up in the retail market. In this regard, the Secretary, Consumer Affairs clarified as under:-

> "Sir, as far as prices are concerned, there are several factors which have impact on the prices. One, as has been rightly mentioned by you, is production which goes up when the conditions are favourbale and at times of drought the production would be less. There is the phenomenon of rise in demand. As the income levels and living standards of people in our country and across the world are increasing, the demand for every commodity is also going up. That is one factor which is responsible for variation in prices. The other factor is the condition in the international market. India because of its population, whenever

there is sort of anticipation in the world markets that India will import a lot of commodities, the prices tend to go up. So, these are a few factors which have impact on prices…. Like last year, the production of sugar in India was 150 lakh tonnes. Our demand, as everybody knows, is much more than that, 50 percent more than that, naturally everybody knew that India will import large quantities of sugar so international prices immediately started to go up".

1.10 When the Committee observed that there should not be any impact of international prices when a particular food item is produced domestically in adequate quantity, the Secretary, Consumer Affairs clarified as follows:-

"That is what I am trying to say. These are the two to three factors, which are there as I mentioned, because there is rise in demand because of rising income levels and standards of living in our country and the international availability of sugar. These factors together decide about the price. Now, about two years back the prices of rice in the international market had gone up quite substantially, but compared to that today the prices are quite reasonable. So, it is not that every time the prices are going up but many factors are there and depending on that the interplay of these forces takes place".

1.11 However, the Secretary, Department of Food and Public Distribution stated during evidence, on price rise of sugar even when the stocks are available, as follows:-

"A question is also being raised again and again that if we have stocks, why our prices are going up. There is no price control of sugar except in the case of levy sugar which the Government buys from the mills for the purpose of Public Distribution system. So far, there was a levy of ten percent. This year, commencing 1st of October, 2009, we have increased this to 20 percent. That means in 10 percent regime, they were free to sell 90 percent of the sugar in the open market. The forces of demand and supply operated. As I mentioned earlier, there is no price control, there is no limit on the margins that the wholesalers and the retailers can draw. It is only market's perception of demand and supply. What was the position one year ago and what was the position one year later? We normally start a year with a normative requirement of three months' allocation available with us. That means if we look at this, it should be about 58 lakh tonnes available at the beginning of this reason when we start crushing for the new year. If everybody knows that we are not likely to have that quantum of sugar available with us, prices will go up. We closed the year 2007-08 with a closing balance of 100 lakh tonnes. That is how, somehow, we

were able to make good of our shortfall. But everybody knew that at the end of the year, we will have a normative requirement of 58 or 60 lakh tonnes of sugar with us. So, naturally prices have gone up. We have tried to control the prices, but as I said, there is no price control order, there is no legislation whereby the Government could have said, 'Only this much of profit and no more or only this much of prices that the retailer will charge in addition or the wholesaler will charge in addition'. The cost of intermediation is high and it is not limited by any law at the moment".

(d) The Essential Commodities Act, 1955

1.12 The Essential Commodities Act, 1955 was enacted to ensure the easy availability of essential commodities to consumer and to protect them from exploitation by unscrupulous traders. The Act provides for the regulation and control of production, distribution and pricing of commodities which are declared as essential for maintaining or increasing supplies or for securing their equitable distribution and availability at fair prices. The provisions of the Essential Commodities Act, 1955 relating to production, storage and marketing of foodgrains are as under:-

Section 3 (2) (a) of the Essential Commodities Act, 1955 provides for regulating by licenses, permits or otherwise the production or manufacture of any essential commodity;

Section 3 (2) (d) provides for regulating by licenses, permits or otherwise the storage, transport, distribution, disposal, acquisition, use or consumption of, any essential commodity;

Section 3 (2) (e) provides for prohibiting the withholding from sale of any essential commodity ordinarily kept for sale;

1.13 The Department of Consumer Affairs informed the Committee that State Governments have been delegated powers under the EC Act, 1955 to make orders to provide for the matters mentioned above with the prior concurrence of the Central Government.

1.14 In the Annual Report, 2007-08, the Department of Consumer Affairs has stated that States/UTs have been taking action against the violators and sending the action taken reports regularly to the Central Government. During audio-visual presentation to the Committee, the Secretary, Consumer Affairs provided the following details of action taken by State Governments under the Essential Commodities Act:-

Year	Persons prosecuted	Persons convicted
2006	3244	498
2007	4872	1022
2008	6425	790
2009	2533	37
		(Upto 31.08.2009)

1.15 During briefing the Committee enquired whether any amendment of Essential Commodities Act is required to give it more teeth. In this regard the Department of Consumer Affairs stated in its written reply that keeping in view the low convictions as compared to persons prosecuted under the Essential Commodities Act, the Standing Committee on Food, Public Distribution and Consumer Affairs had recommended that the Department should examine whether there is any lacunae in the Act due to which most of those prosecuted go scot free despite serious offences. Accordingly, the department requested the States and UTs to send their views in this regard. Eventhough, 20 States/Union Territories had submitted their views, only very few had furnished their suggestions. The Department examined their suggestions and stated that the Department did not feel that there is any lacuna in the Essential Commodities Act which leads to the low convictions. The Department informed also the Committee that it does not have any proposals to bring in any amendment to the Essential Commodities Act at this stage as it is felt that the available provisions are adequate, if properly implemented, to achieve the desired objectives.

1.16 Five States/UTs have submitted the reaons for low prosecutions, convictions to the Department of Consumer Affairs. The reasons furnished by Andhra Pradesh, Madhya Pradesh and Tamil Nadu are as follows:-

(i) Andhra Pradesh: As per Section 6(c) (2), if a person, against whom prosecution has been launched the stock confiscated has to be returned or the value thereof should be paid. Therefore, prosecutions are launched only depending upon the gravity of offence where there is a good case for getting conviction. Secondly, all the enforcement officials under various control orders do not have any powers to arrest and hence the seizure is only effected. However, whenever any Police Officer or the officers having Magisterial powers inspect, the arrests are resorted to.

(ii) Madhya Pradesh : Although the number of cases involving irregularities are substantial, the cases detected after due process of law, are only compounded by the designated authorities.

(iii) Tamil Nadu : Most cases which are minor in nature involving very meager quantity of essential commodities are dealt under Section 6(A) of Essential Commodities Act by District Collectors without initiating prosecution before Court. Unlike criminal cases, the enforcing officials under the Essential Commodities Act have to play dual role namely (1) to launch prosecution before the court of law and (2) to initiate 6 (A) proceedings before the District Collector. As both these jobs are equally laborious and time consuming, the officials find it difficult to concentrate on detection of offences under Essential Commodities Act. Further, police officials, while invoking the Prevention of Black Marketing and Maintenance of Supplies of Essential Commodities Act, 1980 have to often attend the Collectors office. Proceedings pertaining to Advisory Board and High Courts are itself time consuming and laborious. After completion of investigation, final reports are filed before the Magistrate Courts. Magistrates deal with these cases alongwith other criminal cases. Due to heavy pendency of cases, Magistrate Courts are not able to give priority to the disposal of cases under the Essential Commodities Act, 1955. Since offences under the Essential Commodities Act

impacts on food security, speedy trial is a must. However trial in Essential Commodities Act cases commence long after they are charged and filed in court. If speedy trial is ensured, more convictions are possible.

1.17 In regard to a query whether the Union Government and State Governments have invoked provisions of the Essential Commodities Act to contain prices of foodgrains and to ensure availability of necessary quantum of foodgrains at reasonable prices in market the Department of Consumer Affairs stated that the Standing Committee of some Union Ministers and Chief Ministers constituted in pursuance to the conference to Chief Ministers on "WTO and Agriculture" held on 21.5.2001 decided that the restrictions on movement of all agricultural commodities should be removed and that the Essential Commodities Act, 1955 may continue as an umbrella legislation for the Centre and the State to use when needed but that a progressive dismantling of controls and restrictions was also required. In regard to sale of open market sugar, the Secretary (Food) during evidence stated as under:-

> "The Government of India does control the levy price. As far as the other price is concerned, that is, open market or free sale as it is called, non-levy sugar, we do not have a price control provision. In the wake of liberalization that the country has been undergoing since the last ten years, we have slowly dismantled all the pernicious provisions of the Essential Commodities Act. In fact, in the Conference of Chief Ministers in the year 2001, there was a recommendation cutting across all party lines by all States to gradually and progressively dismantle the Essential Commodities Act and to keep it as an umbrella legislation, only to be invoked in times of very big national crises. So, we have gradually veered away from price control or fixation of price. Price, we leave to the open market to determine on the basis of supply and demand. If supply is more, prices will come down; if the demand outstrips supply, naturally, prices will go up. But we are regulating the price of levy sugar".

1.18 Therefore, Department of Consumer Affairs in consultation with the all concerned issued Central Notifications on 15.02.2002 and 16.06.2003 thereby removing the licensing requirements, stock limits and movement restrictions on specified foodstuffs. However, keeping in view the rise in prices at that point of time and to enable the State Governments/UT Administrations to continue to take effective action for undertaking dehoarding operations under the Essential Commodities Act, 1955, it was decided with the approval of the Cabinet to impose restrictions by keeping in abeyance some provisions of the Central Order dated 15.02.2002 in respect of pulses, edible oils, edible oilseeds, rice, paddy and sugar. In respect of first five items, the orders issued to implement this decision are valid till 30.09.2009. The further extension of validity of these orders beyond 30.09.2009 has been sent for the consideration of the Cabinet. In respect of sugar, the Order is valid till 08.01.2010 and the issue of extension of validity of this Order has also been referred to the Cabinet.

1.19 Further, in respect of sugar, the Central Government has also issued orders providing for stock-holding/turnover limits. In this regard, the Department of Consumer Affairs has stated that so far as implementation of these orders is concerned only 19 State Governments/UTs have either issued stock limits for all the five items or wheat and pulses only or have issued only licensing requirements/stock declaration (of these 19, 15 States/UTs have actually issued stock limit Orders/in the process of issuing. 4 States/UTs have issued licensing requirements/stock declarations). The State Governments have been repeatedly requested by the Department to issue stock control orders in respect of the specific commodities, where already not done through letters sent at the level of Secretary and Additional Secretary. This suggestion was reiterated during the recent conference of Chief Secretaries held on 08.08.2009 as also the Food Ministers Conference held on 19.08.2009.

(e) Futures Trading

1.20 It was stated by the Department of Consumer Affairs that as part of the administrative measures, futures trading in rice, urad and tur was suspended by the Forward Market Commission during 2008-2009. The ban on futures trading in rice, urad and tur still continue. Keeping in view the availability of commodity and its prevalent price, Forward Market Commission revoked the suspension of futures trading in respect of wheat on 15.5.2009.

1.21 When asked during briefing, whether futures trading in essential commodities such as wheat, rice, pulses, edible oil and sugar should be altogether banned as it leads to speculation and artificial price rise, the Department of Consumer Affairs in a written reply stated as under:

(i) "Various stakeholders have been expressing concerns about the possibility of futures trading spawning excessive speculation and thereby causing price rise. The facts show that this has not been the case in our country. There is no futures trading in Urad and Tur since January 2007 when it was suspended. But the prices of these commodities are showing sharp increase during 2008-09. The year-on-year price increase (in terms of Wholesale Price Index) at the end of financial year 2008-09 (29.3.2009) was 14.7% for Urad and 17.1% for Tur. During the year 2009-2010 (as on 18.7.2009) Year-on-Year increase was 16.4% and 44.9% for Urad and Tur respectively. As against this there is futures trading in Gram. Year on Year change of prices of Gram was negative at -6.8% in 2008-2009 and -3.1% during 2009-10 (as on 18.7.2009) respectively. The futures trading in wheat has been restarted recently. The prices of wheat are stable with modest increase of 4.53% in 2008-09 and 1.6% as on 18.7.2009. It is mentioned that during the last two years the MSP of wheat has been increased from Rs. 850 per Quintal to Rs. 1080 per Quintal. There is futures trading in soy oil, mustard oil etc. but prices during the last year shown decline between 3-12% in these commodities. There are many such examples. Futures trading gives only the advance and aggregated information of the likely price scenario of a particular commodity at future date. It is only a messenger of future event and not the cause of the same. It is true that the excessive speculation and manipulation can cause price spurt in the short run but can not be a cause of secular long term trend which is determined by the fundamental supply-demand conditions.

(ii) Department of Consumer Affairs got this issue examined by an Expert Committee. The Committee was appointed under the Chairmanship of the Planning Commission Member, Prof. Abhijit Sen to examine whether futures market was responsible for rise in the prices of essential commodities. The Committee in its report acknowledged the fact, that the futures market provides a platform for price discovery and price risk management and the farmers would be benefitted from these economic functions of the market.

(iii) The Committee analyzed the daily, weekly and monthly data on price volatility (spot price). The analysis made by the Expert Committee led it to conclude as follows, "Given these conflicting results from daily as against weekly and monthly data, no strong conclusion can be drawn on whether introduction of futures trade is associated with decrease or increase in spot price volatility".

(iv) The Committee also analyzed annual growth rate in prices of sensitive commodities (foodgrains and sugar) in pre-futures period and post futures period and concluded that although inflation clearly increased post-futures in some sensitive commodities that have higher weight in consumer price indices, it is not possible to make any general claim that inflation accelerated more in commodities with futures trading.

(f) Import of pulses

1.22 In regard to the reasons for import of pulses, the Department of Consumer Affairs stated that India is not self sufficient in pulses. India has been a net importer of pulses due to a mismatch between domestic supply and demand for pulses. Domestic production of pulses has been around 14-14.8 million tonnes during the last three years. The demand for pulses is estimated around 17-18 MTs. The gap between demand and supply is filled by import of variety of pulses from different countries depending upon their availability. India imports around 2.5 to 3 million tonnes of pulses each year. As per DGCIS data (prov.) during 2008-09 imports were 2.57 million tonnes as compared to 2.95 million tonnes of pulses imported during 2007-08.

1.23 Regarding price rise of pulses, the department stated in a written reply that the current increase in the prices of pulses in the domestic market is owing to a supply-demand mismatch. For instance, the production of tur in 2008-09 is less by 7.7 lakh tonnes or by 25% as compared to 2007-08. Despite larger imports of tur, the supply-

demand mismatch existed which led to almost doubling of its price this year. This led to inflationary pressures, which was further aggravated by a delayed monsoon.

1.24 Two schemes are being implemented by the Department of Consumer Affairs to augment availability of pulses in the country. The details of the schemes are as follows:-

(i) Import of pulses by Public Sector Undertakings (PSUs)

To augment the domestic availability of pulses, 4 PSUs viz. NAFED, STC, MMTC, PEC were permitted to import them and sell in the domestic market through their regular procedures. It was also decided that these agencies would get reimbursement of losses, if any, to the extent of 15% in these operations. This was to give them the necessary managerial and operational flexibility to implement the scheme, which clearly was backed by the Government. During 2007-08, it was decided to import 1.5 million tonnes of pulses through the four public sector agencies namely NAFED, STC, PEC and MMTC, not more than half of which was to be yellow peas and dun peas. During briefing, attention of the representatives of the Department of Consumer Affairs was drawn to a news item that many ships are waiting with foodgrains at the ports. In this regard, Department of Consumer Affairs clarified in a written reply that as per information received from Ministry of Shipping, 2.04 lakh tonnes of imported pulses were lying at Tuticoron and Mumbai Ports, of which only 20744 tonnes were lying within Port limits, the balance were stored in godowns outside the ports.

(ii) Distribution of imported pulses by the State Government through PDS:

Cabinet on 20.11.2008 approved the scheme for distribution of imported pusles at subsidised rated by the State Governments through the PDS. This scheme, which was conceived as a one time measure has been extended up to 30.09.2009. The total

subsidy is limited to Rs. 10 per kg, inclusive of the administrative cost and margins due to PSUs. The Scheme is for import of 4 lakh tonnes of pulses. Initially there was a poor response to the scheme. But now State Governments have started showing interest. During the current year, so far PEC and MMTC have contracted 71500 tonnes of pulses on behalf of State Governments and supplied 33920 tonnes of imported pulses to West Bengal, Tamil Nadu, Kerala and Madhya Pradesh for distribution through PDS.

1.25 In regard to this scheme, the Committee observed that merely one kg per ration card may not meet the requirements of a family. It should commensurate to the total number of members/persons in a family. The Department of Consumer Affairs commented in a written reply that there is a proposal to extend subsidy scheme of imported pulses up to 31.3.2010. This is under consideration. However, the requirement of pulses to increase the present limit of 1 kg per family per month cannot be considered due to limited availability.

(g) Price rise of potato

1.26 During oral evidence, the Committee brought to the attention of the representatives of the Department of Consumer Affairs the abnormal price rise in retail price of potatoes recently and asked about the price of potato during February-March, 2009, when the potato arrived at the market. In this regard, the Secretary, Consumer Affairs stated that the wholesale price was Rs. 8/- per kg., production and consumption of potatoes in the country is around 300 lakh tonnes. This year, due to Late Bloit disease, production of potatoes in West Bengal was less and the potato from other States were diverted to West Bengal. He further informed the Committee, "some people are saying that the stocks of potatoes available in the cold storage are just sufficient to meet the demand till the next crop comes. Sir, the next crop of potatoes

will come by February end (2010). So for next three or four months, whatever is the requirement, only that much is available. However, some people are saying that excess quantity of potatoes exists. But that has to be verified".

CHAPTER - II

DEPARTMENT OF FOOD AND PUBLIC DISTRIBUTION

(a) Functions

2.1 The primary policy objective of the Department of Food & Public Distribution is to ensure food security for the country through timely and efficient procurement and distribution of foodgrains. This involves procurement of various foodgrains, building up and maintenance of food stocks, their storage, movement and delivery to the distributing agencies and monitoring of production, stock and price level of foodgrains. The Department implements the scheme of minimum support price to the producers of wheat, paddy and coarse grains and the distribution of foodgrains from the Central Pool. A close watch is kept on the stock and price levels of foodgrains and efforts are made to ensure their adequate availability at reasonable prices in different parts of the country. The main functions of the Department of Food and Public Distribution are :-

(i) formulation and implementation of national policies relating to procurement movement, storage and distribution of foodgrians.

(ii) Policy, planning and implementation of the Public Distribution System with special focus on the poor i.e., the Targeted Public Distribution System;

(iii) Provision of storage facilities for the maintenance of central reserves of food grains and promotion of scientific storage;

(iv) Formulation of national policies relating to export and import, buffer stocking, quality control and specifications of fodgrains'

(v) Administration of food subsidies relating to rice, wheat and coarse grains.

(vi) Fixation of Statutory Minimum Price (SMP) of sugarcane payable by sugar factories, development and regulation of sugar industry, fixation of price of levy sugar and its supply for PDS and regulation of supply of free-sale sugar;

(vii) Monitors prices, supply and distribution of vanaspati, oilseeds, vegetable oils, cakes and fats.

(b) Production of wheat and rice

2.2 During her audio-visual presentation to the Committee, the Secretary (Food & Public Distribution) provided the following information about the Estimated Country and Central Pool Budgets of wheat for 2009-10:-

Estimated Country Budget- 2009-10 Wheat

In lakh tonnes

Total production (as per 4th Advance Estimate of DAC)	**805.8**
Availability of wheat for food use (less 12.5% seed, feed and wastage)	705
Opening Balance in Central Pool on 1st April, 2009	134.29
Imports	0
Exports	10
Total available	829.37
Consumption (food use)	645.56
Year ending stocks in Central Pool on 1st April, 2010 (estimated)	156.61
Buffer norms (40 lakh tonnes) & strategic reserve (30 lakh tonnes) on 1st April	70
Addition to private stock	27.20

Estimated Central Pool Budget-Wheat
(As on 1st August, 2009)

In lakh tonnes

Opening balance as on 1st August, 2009	316.23
Total availability	316.23
Estimated offtake under TPDS (including ad-hoc, incentive based & equity based APL allocations) from August 2009 to March 2010	119.06
Estimated offtake under OWS from August 2009 to March 2010	10.56
Estimated release under OMSS	30
Total offtake	159.62
Balance as on 1st April, 2010	156.61
Buffer norms (40 lakh tonnes) & strategic reserve (30 lakh tonnes) on 1st April	70

2.3 The Secretary also provided the following information about the country and Central Pool Budgets of Rice (KMS- 2008-09)

Estimated country budget of Rice (KMS -2008-09)
(As on 1.8.2009)

In lakh tonnes

Total production – Kharif (2008-09) (As per 4th Adv Est of DAC)	845.8
Estimated total production – Rabi (2008-09) (4th Adv Est of DAC)	145.7
Total estimated production (Oct 08-Sep09)	991.50
Availability of Rice for food use (less 7.6% seed, feed and wastage)	916.15
Opening balance in central pool as on 1st October, 2009	78.6
Basmati export	12
Non-Basmati export	1.5
Total available	981.25
Consumption (food use) as per NSSO estimates 62nd Round	854.6
Year ending stocks in central pool as on 1st October 2009 (estimated)	141.87
Buffer norms (including Strategic Reserve) as on 1st Oct	72
Addition to private stock	-15.22

Estimated Central Pool Rice Budget KMS -2008-09 wheat
(As on 1.8.2009)

In lakh tonnes

Opening balance as on 1st August, 2009	187.92
Procurement expected	3.03
Total availability	190.95
Expected offtake under TPDS from August'09 to September'09	41.18
Expected offtake under OWS from August'09 to September'09	5.9
Expected additional APL/festival/flood/Special	2

allocations @1 lakh tonne per month) (August'09 to September'09)	
Total offtake	49.08
Balance as on 1st October, 2009	141.87
Buffer norms (52 lakh tonnes) & Strategic Reserve (20 lakh tonnes) on 1st October, 09	72

2.4 During briefing, when the Committee enquired whether foodgrains would be imported to meet the food needs of the country, the Department of Food and Public Distribution in a written reply stated that the central pool stocks of wheat and rice are quite comfortable. The country is likely to start the new procurement season with a comfortable opening balance. However, if there is an additional demand for rice for drought relief and procurement in KMS 2009-10 is less than requirement, the Government may consider import to increase availability of rice in central pool. Private imports of wheat are already permitted at duty under OGL. Similarly, reduction of import duty on rice is under consideration.

2.5 During briefing the Committee enquired whether the department has any plans to make market intervention to bridge the gap between the demand and supply of foodgrains, the Department of Food and Public Distribution stated in a written reply as follows:

> "There has been record production of wheat of 805.8 lakh tonnes for RMS 2009-10 and there is adequate availability of wheat in the country. The department is proposing release of upto 30 lakh tonnes of wheat during September, 2009 to March 2010 into the open market to check inflationary trend in wheat prices. It is considered that release of this quantity of wheat would augment availability of wheat in the open market and help check rise in prices. In case of rice, the impact of deficient monsoon on the production in 2009-10 is being assessed. The department is proposing release of upto 15 lakh tonnes of rice in open market during period September 2009 to March 2010."

2.6 High procurement of wheat and rice during last two seasons has contributed to high stock in central pool. Availability position of wheat and rice for food use is very comfortable. In this regard, the Committee wanted to know the reasons for linking domestic prices to international prices when the country is self-sufficient in foodgrains. The Department of Food and Public Distribution in its written reply stated as under:-

> "At present the country is self sufficient in wheat and rice. The open market prices are affected by many factors viz. production, procurement, stocks, speculative trading by private trade due to variation in international prices, etc. At present the international future prices of wheat are showing a decline, while, the NCDEX wheat futures are showing a rising trend. Thus, a distinct relationship between global and domestic prices is not established. But domestic prices are affected by global outlook and trends of production and demand.

(C) Open Market Sale Scheme for wheat and rice

2.7 The Committee asked for the details of the schemes to contain price rise of foodgrains. In this regard, the Department of Food and Public Distribution stated in its background note that the Food Corporation of India on the instructions from the Government has been undertaking sale of wheat at pre-determined prices in the open market from time to time to have a moderating influence on the open market prices. This scheme is called as Open Market Sale Scheme (OMSS). The Department further informed the committee that in order to check inflationary trends in the food economy, the Central Government proposes to make releases of wheat and rice in the open market during 2009-10. These releases are proposed to be made as per the following methodology:-

a) The quantity to be released under OMSS, timing of intervention and the locations will be decided by Central Government on the basis of prices and availability.
b) Wheat will be allocated to State/UT Governments for distribution to retail consumers under OMSS. These releases for wheat may be made at MSP applicable of concerned Marketing Season plus the railway freight from Ludhiana to the State/UT capital. In case of States in North East, Jammu & Kashmir,

Himachal Pradesh, Sikkim and Island UTs, the approximate cost of transportation by road/sea would also be taken into account.

c) Sale of wheat to bulk consumer will be made through open tenders to be floated by FCI as per the State wise allocations made by the Ministry of Consumer Affairs, Food & Public Distribution. The floor price for these tenders may be fixed at the acquisition cost of wheat in Punjab plus the railway freight from Ludhiana to State capital plus the carrying cost involved till the month of sale.

d) Allocation of rice to be made to State Governments for sale to retail consumer: The releases for rice may be made at the MSP derived price for Grade 'A' and 'Common' rice for the relevant Marketing Season plus the average freight incurred by FCI as part of its distribution cost for rice.

2.8 When it was asked to what extent the market prices of wheat and rice are expected to be stabilized on implementation of this scheme, the Department of Food and Public Distribution stated in a written reply as follows:

(i) It is proposed to release a quantity of upto 30 lakh tonnes of wheat during September, 2009 to March, 2010.

(ii) State Governments are being advised to arrange for its distribution to retail consumers through their cooperative network. State Governments will also be advised that end retail price should not exceed the issue price of Central Government by Rs. 200/- per quintal.

(iii) A quantity of upto 15 lakh tonnes of rice is proposed to be released to State Governments. For KMS 2008-09, the price for release of Grade A and Common rice to Governments under OMSS is Rs. 1456.94 per quintal and Rs. 1412.16 per quintal respectively. Similarly, wheat would be released to State Governments under OMSS.

(iv) The State wise allocations are being finalized

(v) The releases under OMSS are aimed at increasing availability in the open market and checking inflationary trends. It is not possible to quantify the extent to which the market prices would be influenced by releases under OMSS as market prices also depend on other factors like production, participation of private trade expectation, volatility due to impact of petroleum prices, etc.

2.9 In this regard, the Committee enquired during evidence whether the above mentioned quantities of 30 lakh tonnes of wheat and 15 lakh tonnes of rice would meet the requirements of the entire country. The Department of Food and Public Distribution in its written reply stated that a substantial portion of the demand of wheat and rice in the country is met through private trade channels. However, in order to check inflationary pressures due to supply constraints, release of wheat and rice under OMSS from Central Pool is proposed to enhance the availability in the open market and have a stabilizing effect on market sentiment. It is not possible to meet the entire requirements of the open market through OMSS.

2.10 The Committee asked the Department of Food and Public Distribution during evidence to clarify whether wheat and rice would be sold to traders by cooperative network or whether it would be sold to consumers directly by cooperatives. In this regard, the Department clarified in its written reply that the Government proposes to release wheat and rice under OMSS to State Governments for arranging distribution to retail consumers. There is no proposal to release wheat and rice to traders. Detailed guidelines for release of wheat and rice under OMSS in 2009-10 are being finalized.

(d) SUGAR POSITION

(i) Production and availability

2.11 The Department of Food & Public Distribution has stated in its background note that it is too early to make estimates of sugar production in 2009-2010 sugar season though some industry circles estimates higher production about 165 lakh tonnes, some others are also predicting production at 150 lakh tonnes during the 2009-10 sugar season. On the other hand, the weekly report of the Weather Watch Group of the Directorate of Sugarcane Development, Lucknow, under the Department of Agriculture, Government of India, for the week ending 06.8.2009 reveals that area acreage under cane in 2008-09 to be used for 2009-10 sugar season is 42.50 lakh ha., as on date of reporting as compared to 43.83 lakh ha. on the corresponding date in 2007-08 crop season which has been used for 2008-09 sugar season i.e. it is less by about 1.33 lakh ha. compared to 2008-09 which is about 3% reduction in area. Though it is too early to draw any final conclusion about the crop size and sugar production in 2009-2010, it still indicated that sugar production in 2009-10 sugar season may not recover sufficiently to ensure adequate availability of sugar during 2009-2010 sugar season.

2.12 Keeping the estimated domestic production of sugar as 150 lakh tonnes, the Department has chalked out the following sugar balance sheet for 2008-09 sugar season:-

S.No.	Item	Quantity in lakh tonnes
1	Estimated opening stock as on 1st Oct. 2008	100^
2	Estimated domestic production	150
2A	Estimated availability through imports of sugar	12
3	Estimated total availability of sugar (1+2+2A)	262
	Minus	
4	Estimated domestic consumption	225
4A	Estimated domestic releases	231
5	Estimated Exports	2
6	Estimated closing stocks with sugar mills as on 30th September, 2009 (3 minus 4A and 5)	29

^ As per reports of closing stocks verified by Central Excise Authorities/furnished by sugar factories with verification by Central Excise/Cane Commissioners, the carry over stocks were estimated at about 105 lakh tonnes.

2.13 The above sugar balance sheet shows that closing stocks with sugar mills were 29 lakh tonnes which is just above the monthly requirement of 20 lakh tonnes of sugar and is much less than the normative requirement at the end of the season which should be equal to 3 months' requirement i.e. 60 lakh tonnes of sugar.

(ii) Price situation

2.14 Sugar season started with a stock of more than 100 lakh tonnes with sugar mills which is more than the normative requirements. Moreover, to meet the demand, duty free import of raw sugar was also allowed by the Government. Even then the retail price of sugar was rising as given below:-

(Rs. per kg.)

S. No.	Centre	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09	May.09	June.09	July 09	Aug 2009 (upto 21st)
1	Delhi	20.00	20.00-21.00	21.00-24.50	24.00-25.00	24.00-25.00	24.00-28.00	27.00-27.50	27.00-27.50	27.00-28.00	28.00-32.00
2	Mumbai	20.50	20.50-21.50	21.50-22.00	22.00-24.00	23.00-25.00	24.00-25.50	26.00-27.00	26.00-27.00	26.50-27.00	27.00-33.00
3	Kolkata	21.00	21.00	21.00-22.00	22.00-23.00	22.00-25.00	23.00-27.00	24.00-27.00	24.00-27.00	26.00-28.00	28.00-29.00
4	Chennai	20.00-21.00	20.00-21.00	21.00	21.00-22.00	22.00	21.00-25.00	25.00-26.00	25.00-26.00	25.00	25.00-28.00

(Source: Price Monitoring Cell, Department of Consume Affairs)

2.15 When the Committee asked for the reasons for rise in retail price of sugar despite its availability during the period, the Secretary (Food) stated during evidence as follows:-

> "You have asked why prices are going up. Prices are combination of a number of factors, that is mismatch between demand and supply and also perceived shortage in future months, more so because our production is likely to be impacted by adverse effect of poor rainfall. Therefore, everybody expects that we will have lower level of sugar production. So we may have to depend on

imports to a larger extent. In this regard, we have also to look at the international scenario. I was just mentioning these countries because excluding Brazil, it is China, Russia, Mexico, Pakistan and India which are some major players which account for 44 percent of global production of sugar. In all these countries, there is a shortage and they all turned net importers. As a result, there is more demand chasing lesser availability and the prices have gone up internationally. It is always market's perception of the future which determines the price. Overall availability may be adequate, but there is always a perception. The market sentiments are very important. They also perceive that there can be a shortage in the future and as a result, more people want to buy more because of which there can be an impact on the prices. That is the general phenomenon. You said that we have availability which is adequate. In this regard, let me mention again that our normative requirement at the end of the season is equal to three months' consumption. So, ideally, we should be having about 58 lakh tonnes at the end of the season, which we would not have. That is, again, perceived as a shortfall. We have made the contracts for 5 million tonnes of sugar, which is in various stages of arrival and that will certainly impact availability.

2.16 During evidence, the Committee pointed out that more sugar is released when retail price of sugar is increased in the market and asked what steps were taken by the Government in this regard. In this regard, the Secretary (Food) stated as under:-

"As we mentioned earlier, we release stocks through the sugar mills. We do release sizeable quantities of sugar. I will come to the quantities also. But the sugar mills actually were not selling it off in the market. So, we started doing two things. We had conducted excise checks to check their stocks, because there were complaints that sugar mills were showing bogus sales. So, we did checking through the excise staff. Secondly, wherever we found that sugar released was actually not sold in the market by the sugar mills, we converted unreleased stocks into levy sugar. We converted about five lakh tonnes of unsold sugar by sugar mills into levy sugar stocks and thereby we augmented our availability for levy sugar. We also imposed, as I mentioned, stockholding limits on the wholesalers and retailers. That has been implemented in 17 States. We asked the remaining States also to enforce it. Coming to the quantities released in the month of August, 2009 we have released a total of 18.35 lakh tonnes of sugar in the market and in the month of September, 19.90 lakh tonnes. Also, by regulating demand we have reduced the demand from the bulk consumers, we have actually ensured an even larger quantum of availability for the household sector. If it was 19.90 lakh tonnes last year and 19.90 lakh tonnes this year, the actual availability is going to be more this year because a large

segment of the bulk consumers would be out of the market for buying. So, that much of more sugar will be available for the householder. ”

2.17 In this regard, the Secretary(Food) further stated as below:-

"But if we look at the sugar, as I have been saying in the past also, our consumption in the year 2008-09 was anticipated at 225 lakh tonnes and our production of sugar from domestic sources was only 150 lakh tonnes. So, there was a big shortfall of 33 per cent which we had to augment by imports from wherever it is available. So, we have incentivized imports and a lot of sugar has come in. In addition to that, we have also curtailed demand. What we have taken great pains to state is that about 60 per cent to 65 per cent of the open market sources of sugar are picked up by the bigger buyers and by the non-household sector. If we impose a stock holding limit on the non-household sector that means they would buy less from the domestic market. Earlier, they were keeping inventories for as much as one year. But then we said that you cannot hold inventories of more than 15 days requirement at a time from the domestic sources and if you want to maintain a large inventory, you have got to import. So, the bigger industrial houses which were using sugar as a raw material for their products are already importing sizeable quantities of sugar and because we have said that they cannot stock more than 15 days requirement, they have also de-stocked. So, that sugar is also coming to the market. In this manner, we have increased or augmented the domestic availability of sugar and the fact that the prices of the sugar have shown a downward trend very clearly would be reflective of the fact the demand and supply mis-match has been corrected to an extent. That would certainly reflect in our prices. ”

(iii) STEPS TAKEN TO MEET THE SITUATION

2.18 The Department of Food & Public Distribution has stated that the following steps have been taken for the import of sugar so as to augment the availability of sugar:-

1. Allowed import of raw sugar under Advance Authorization Scheme by sugar mills at zero duty upto 30.09.2009 (notified on 17.02.2009 and 02.03.2009).
2. Allowed import of raw sugar at zero duty under O.G.L. upto 01.08.2009 by sugar mills (notified on 17.04.2009), extended upto 31.3.2010 (notified on 31.7.2009).

3. Import of raw sugar has been opened to private trade upto 31.3.2010 for being processes by domestic factories on job basis (notified on 31.7.2009).
4. Allowed import of white/refined sugar by STC/MMTC/PEC and NAFED upto 1 million tonnes by 1.8.2009 under O.G.L. at zero duty (notified on 17.4.2009). This has now been extended upto 30.11.2009.
5. Duty free import of white/refined sugar under OGL has been opened to other Central/State Government agencies and to private trade in addition to existing designated agencies, upto 30.11.2009.
6. Ministry of Shipping has issued instructions to all major port trusts to accord priority berthing for one berth at a time upto 30th September, 2009 to vessels carrying raw and white/refined sugar arriving at Indian ports on the request of the vessel/agent of importers on payment of applicable charges.
7. The Railway Board has since upgraded loading of imported raw sugar at zero duty within three months of processing.
8. Levy obligation has been removed in respect of all imported raw sugar and white/refined sugar. The white/refined sugar has been also allowed to be sold at the discretion of the importing organization, but sugar processed from imported raw sugar is subject to accelerated releases.

2.19 Regarding import of sugar, the Secretary (Food) stated during evidence, "out of the 5 million tonnes, 2.1 million tonnes have already arrived. It will depend on the country of importation and methodology of importation. These are all firm contracts which the sugar industry and trade have already contracted"

(iv) Waiver of Sales Tax/VAT on imported sugar

2.20 The Department of Food and Public Distribution informed the Committee that some States/UTs have imposed sales tax/other local taxes on imported sugar while

domestically produced sugar does not attrat these types of taxes. Hence, in order to supplement the efforts of the Central Government to make available sugar at reasonable prices to consumers, the Central Government has requested all State Governments/UTs to waive sales tax or any other local tax or any special tax on imported white/refined sugar vide a letter dated 26.5.2009 from Joint Secretary (Sugar) and thereafter, from Secretary (Food and Public Distribution) vide D.O. letter dated 24.6.2009.

2.21 The Department has further stated that sugar is one of the declared goods included in the list of 'Goods of Special Importance' under the provisions of Central Sales Tax, 1956. Sub-section(a) of Section 15 restricts the tax payable under the Sales Tax Law of a State in respect of any sale or purchase of 'declared' goods within the State to a rate which shall not exceed 4% of the sale or purchase price thereof. Besides, for intra-State sales, CST is also applicable which is currently having a ceiling of 2% on all goods and subject also to the rate fixed for intra-State sale. However, as per information available the following States have imposed 4% Sales Tax/VAT on imported sugar:-

- Haryana
- Madhya Pradesh
- Orissa
- Rajasthan
- Tripura
- West Bengal

The following States have imposed 12.5% Sales Tax/VAT on imported sugar-

- Jharkhand
- Karnataka

(v) Turnover and stock holding limits

2.22 In regard to the other steps taken to meet the situation, the Secretary (Food) informed the Committee as follows:-

> "Sir, when I gave you the consumption figure, I gave the consumption figure of all consumers, the household consumer who consumes about 30 percent to 35 percent of availability and the bigger consumer is also there. Now we have imposed stockholding limit on bulk consumer. We expect that some of them are carrying large inventories. So, they will not be buying sugar in the existing market. Some of them may be de-stocking or off loading also. Therefore, the availability in the market should be more than what I have given because of this new order of August 2009 which will come into effect from September".

2.23 In the background note, it has been further stated regarding turnover and stock holding limits on sugar that the Central Government has notified stockholding limit of 200 tonnes of sugar and 30 days turnover limit all over the country in respect of dealers of sugar. However, for dealers in Kolkata and adjoining areas who import sugar from outside the state, the stockholding limit has been fixed at 1000 tonnes but turnover limit is 30 days. The States, were, however, authorized to fix higher stockholdings and turnover limits than those notified by the Central Government. 17 States/UTs viz. Andhra Pradesh, Bihar, Madhya Pradesh, Maharashtra, Delhi, Punjab, Karnataka, Orissa, Rajasthan, Gujarat, Haryana, Kerala, West Bengal, Jharkhand, Tamil Nadu, Andaman & Nicobar Island and Daman & Diu have already imposed the stockholding and turnover limits on sugar. The stockholding limits on sugar has been extended by another six months i.e. upto 08.01.2010 vide Department of Consumer Affairs Notification dated 02.07.2009 and Department of Food & Public Distribution Notification dated 16.07.2009.

(vi) Suspension of futures trading

2.24 The Government has suspended futures trading in sugar w.e.f. 27th May, 2009 to check speculative tendencies in sugar trade.

(vii) Distribution of sugar through PDS

2.25 When the Committee pointed out that the cost of retail price of sugar is high due to import of sugar, the Secretary informed the Committee regarding distribution of sugar through PDS as follows:-

"Yes, Sir. The cost of imports is certainly high. Therefore, we are distributing some sugar through PDS to alleviate the suffering of the common man. Possibly, this is what you were expecting me to answer. We are giving sugar through PDS at the rate of 500 grams per capita for BPL families in the country, and in case of special category States like North East, the hilly territories and island areas we are giving at the rate of 700 grams per capita per month. This month, we are going to give an additional allocation of two kilograms for the festival season. They can take it in September or October as per their wish.

2.26 During evidence, the Committee asked about the percentage of levy sugar imposed on sugar mills. In this regard, the Secretary (Food) stated that it has been increased from 10 per cent to 20 per cent from October, 2009. Thereupon, the Committee enquired whether there is any proposal to increase further the percentage of imposition of levy. In this regard, the Secretary (Food) clarified during evidence, 'we expect a production of 160 lakh tonnes and we have said 20 per cent which would give us 32 lakh tonnes of sugar for our PDS operations. It we were to increase the levy sugar, we will have to distribute more through the PDS. It would mean a higher subsidy burden for the Government.'

2.27 In reply to a post evidence question on percentage of levy sugar in the past, the Department of Food & Public Distribution stated that the percentage of levy obligation on production of sugar since 1979-80 sugar season (October-November) is as under:-

Sl. No.	Sugar Season	Levy Percentage
1	1979-80 to 1984-85	65
2	1985-86	55
3	1986-87 to 1987-88	50
4	1988-89 to 1991-92	45
5	1992-93 to 31.12.1999	40
6	1.1.2000 to 31.01.2001	30
7	1.2.2001 to 28.2.2002	15
8	1.3.2002 to 30.09.2009	10

9	From 1.10.2009	20

2.28 In regard to the reasons for reducing the percentage of levy sugar, the Department stated that the non-levy sugar prices fetches higher sugar price realizations than levy sugar which in turn improves the capacities of the sugar factories to pay better cane price to sugarcane farmers. As such, the Central Government has lowered the levy obligation on sugar mills over a period of time. However, the levy obligation has been increased from 10% to 20% with effect from 01.10.2009 for the sugar season 2009-10 in view of anticipated less production of sugar in the season so as to meet the commitments towards the Public Distribution System (PDS).

(viii) Plans to deal with decline in sugar production

2.29 During briefing, the Committee asked whether the Government have any specific plans to deal with declining sugar production. In this regard, the Department of Food & Public Distribution has stated in its written reply as follows:-

(i) Statutory Minimum Price (SMP) of sugarcane for the sugar season 2009-2010 has been increased to Rs. 107.76 per quintal linked to a basic recovery of 9.5% subject to a premium of Rs. 1.13 for every 0.1% point increase in the recovery above that level from Rs. 81.18 per quintal linked to a basic recovery of 9.00% subject to a premium of Rs. 0.90 for every 0.1% point increase in the recovery above that level in the sugar season 2008-09.

(ii) A Centrally sponsored scheme of Sustainable Development of Sugarcane Based Cropping System (SUBACS) is under implementation. The main thrust of the scheme is on the transfer of improved production technology to the farmers through field demonstrations, training of farmers, supply of farm implements, enhancing production of planting material, efficient use of water, treatment of planting materials etc. The scheme is under implementation in 22 States/Union Territories.

(iii) Concessional loans at an interest rate of 2% below the bank rate, which works out 4% per annum at present, are given to sugar factories from Sugar Development Fund (SDF) for modernization of plant and machinery, expansion of crushing capacity, upgradation of technology and sugarcane

development including better irrigation facilities, improved seed variety, ratoon management etc.

(iv) Besides, (iii) above, the Central Government with a view to incentivize improvement in productivity of sugarcane and recovery of sugar has decided to assist the sugarcane growers with soft loans for seed, fertilizers and pesticides for the development of sugarcane. Loans would be given by the Department of Food & Public Distribution, Government of India, from Sugar Development Fund to the applicant sugar factories at same rate as for concessional loans under SDF as mentioned at (iii) above. The loans would be disbursed to the sugar factories by 31st December, 2009, who in turn, will pass on the loans, in cash or kind, to the cane growers in their area latest by 31st March, 2010, at the same rate at which they get the loan from SDF. The sugar factories would be required to repay the loan along with interest thereof, in a total period of 4 years from the date of disbursement in 4 equal annual installments.

2.30 During evidence, the Secretary (Food) further informed about the SMP as under:-

"The Government of India fixes the Statutory Minimum Price (SMP) on the basis of the recommendations of the Commission for Agriculture Costs and Prices. That is fixed for a certain recovery percentage. If the recovery percentage is higher, there is a premium and the price is higher. In Maharashtra and in Southern States, the recovery percentage is higher, so the cane price is higher. Secondly, there is one more factor. In a number of States, primarily Uttar Pradesh, Haryana, Punjab, Tamil Nadu, Uttarakhand and some other States, which also fix the State advised price. The State advised price generally is much, much more than the Statutory Minimum Price. In fact, some State Governments have fixed an SMP, which is more than 60 percent higher than the Statutory Minimum Price. The sugar mills are compelled to buy at that price. That is one thing. We really do not look at the Statutory Minimum Price. In fact, for the purpose of levy sugar, we were only looking at the Statutory Minimum Price. Some of the sugar mills went to the High Courts and then to the Supreme Court. In a series of judgments, the Supreme Court has now finally ruled, they have laid down at the law of the land, this was in a judgment passed on 31st March, 2008 and reiterated in July 2008, which says that not only the Statutory Minimum Price but even the State advised price will have to be factored into while determining the cost of levy sugar".

2.31 Regarding soft loan from growing sugarcane, when the Committee asked during evidence, why don't the Government directly disburse this loan to farmers instead of their reliance on mill owners, the Department of Food in a written reply stated as under:-

> "The question pertains to the short term loan for cane development announced by the Central Government vide Notification dated 20.07.09.
>
> I. The applicants under the scheme are required to be submitted on or before 30.11.2009 and the loans will be disbursed upto 31.12.2009. No loans have so far been disbursed, though requests for some have been received very recently. It may also be submitted that on the request from the sugar industry, the requirement of disbursement of 50% of the loan to farmers in 45 days and balance 50% in another 45 days have been modified to ensure that sugar mills pass on the loans to the cane growers in a total period of 90 days. In case of violation of the provision, the rule provides that the sugar factory shall pay a penal interest 6% per annum on the amount not disbursed within 90 days. The scheme also envisages that any deviation or diversion from the conditions stipulated while sanctioning a loan shall entail recall of the loan with penal interest and may result in debarment of the sugar factory from any further loans from Sugar Development Fund.
>
> II. The Sugar Development Fund Act, 1982, *inter alia*, provides for giving loans to the sugar factories for development of sugarcane in their respective areas against a security to be furnished by the factory. In other words SDF loans can be given to a sugar factory only and not directly to the farmers, and after the necessary security has been provided.

2.32 During evidence, it was pointed out that the farmers have turned to other crops from the crop of sugarcane and asked for the reasons and the steps taken thereon. In this regard, the Department of Food & Public Distribution has furnished the following reasons:-

(a) Higher Minimum Support Price of food crops viz. wheat and paddy vis-à-vis Statutory Minimum Price of sugarcane in the last two years.

(b) High cane price arrears in 2006-07/2007-08 sugar season due to excess production of sugar in these seasons with consequent decline in sugar prices in the open market.

2.33 Apart from revision of Statutory Minimum Price as already mentioned, the Government took the following steps, in order to help the sugar industry and sugarcane farmers, in the wake of high production of sugar and declining sugar prices in 2006-07 and 2007-08 sugar season:-

(a) A buffer stock of 50 lakh tonnes for one year was created in two tranches; buffer stock of 20 lakh tonnes was created from 01.05.2007 to 30.04.2008 and 30 lakh tonnes from 01.08.2007 to 31.07.2008.

(b) Export assistance to defray expenditure on internal transport, marketing and handling charges and ocean freight was extended from 19.04.2007 to 30.09.2008.

(c) A loan scheme to extend financial assistance to sugar undertakings was formulated and implemented to provide additional liquidity support to the extent of notional excise duty on production of sugar in 2006-07 and 2007-08 sugar seasons and exclusively earmarked for cane arrears/dues of 2006-07 and 2007-08 sugar seasons, respectively. The total interest subvention is to be borne from the Central Government budget (5% out of the maximum 12% p.a. interest subvention from the exchequer and balance upto 7% from the SDF.)

The above measures have helped the sugar factories to liquidate cane price arrears. As per the latest reports on cane price arrears received from the State Governments/sugar mills, out of Rs. 18,403 crore price payable in respect of 2008-09 sugar season, Rs. 18,294 crore has been paid leaving cane price arrears of Rs. 109 crore which are merely 0.59% of the total cane price payable.

(ix) Diversion of Gur and Jaggery to illicit liquor production

2.34 The Committee drawn to the attention of the Department of Food & Public Distribution the views that the Government should consider banning jaggery/Gur

(cottage industry) so that illicit liquor trade does not flourish and 20-25% of the sugarcane that goes to this Jaggery/Gur industry must be diverted to the sugar mills for sugar production and asked for its comments. The Department of Food & Public Distribution commented that it is a fact that in the years of low production of sugarcane, sugar mills face intense competition from khandsari, gur and jaggery manufacturers, whereas in the years of surplus production drawl of sugarcane by these alternative sweetener manufacturers reduces substantially. In 2008-09, the percentage drawal rate of sugarcane by sugar mills was as low as 53.6% which was 63% in the year 2007-08, a year of surplus production. A drop of 10% in drawal rate would translate to shortfall of approximately 2.7 million tonnes in production of sugar. The main reason for this is that the gur fetches attractive prices when there is shortage of molasses on account of low crushing by sugar mills in the season. Bulk of this gur is used as alternative in lieu of molasses particularly by the unregulated sector. Therefore, there is a case for regulation of use of sugarcane by khandsari, gur and jaggery manufacturers. It is pertinent to state that gur was originally included under the purview of Sugarcane (Control) Order, 1966 which has been issued under the provisions of Essential Commodities Act, 1955. However, this entry was removed from the order vide notification dated 31st July, 2007 in the wake of excessive production of sugarcane in 2006-07 season with prospects of a similar bumper crop in 2007-08 season. Jaggery and gur are basically produced in the cottage industry by small and marginal farmers, which are consumed mainly in the villages by poor sections of the society as also for specific religious functions. Therefore, it may not be appropriate to ban production of jaggery and gur completely. As regards diversion of sugarcane purchased by gur and jaggery manufacturers towards production of illicit liquor, instead of a complete ban on jaggery and gur production which will affect such consumers of gur and jaggery mainly in the rural sector, it may be more advisable to check diversion of gur and jaggery towards illicit liquor production and trade.

(e) Public Distribution System

2.35 In its background note, the Department of Food & Public Distribution has stated that the Public Distribution System is an important safety net and is expected to cushion the poor against the price rise. While PDS is functioning well in some States, in many others it leaves considerable scope for improvement. The Department has specifically advised the States on the following two measures which need to be strictly implemented:-

(i) Monthly certification by Village Panchayats/Urban Local Bodies/Vigilance Committees/Womens' Self-Help Group of delivery of allocated TPDS foodgrains.

In order to ensure increased transparency in functioning of FPSs, the State and UT Governments' directions were issued on 07.03.2008 to introduce monthly certification by Village Panchayats/Vigilance Committees/Urban Local Bodies/Self Help Groups for delivery of foodgrains to FPS and their distribution to ration card holders. Such a certification of actual delivery of foodgrains to Fair Price Shops in time and their distribution to ration card holders is also expected to streamline functioning of Fair Price Shops. As on 30.06.2009, the following twelve States have started monthly certification – Andhra Pradesh, Bihar, Gujarat, Himachal Pradesh, Karnataka, Kerala, Maharashtra, Orissa, Sikkim, Tamil Nadu, West Bengal and D&N Haveli.

(ii) Allotment of Fair Price Shops to Co-operativs/SHGs, etc.

As per reports received from State Governments by end of June 2009, out of 5 lakh fair price shops in the country, about 86,000 fair price shops have been allotted to Cooperatives, women's Self Help Groups, Village Panchayats, Urban Local Bodies and other Self Help Groups in different States.

2.36 The Department of Food & Public Distribution has further stated that various technology based applications are being tried for improving delivery mechanism, to curb leakages and ensure transparency in PDS operations. A major scheme for

computerization of PDS operations at National, State, District and Block Level is being taken up during the Eleventh Plan period. In the first phase of the scheme, computerization of PDS-related transactions upto block level will be covered. The Committee were further informed that a pilot scheme on Smart Card-based delivery of essential commodities under PDS is being taken up in the Union Territory of Chandigarh and in the State of Haryana. The scheme involves full computerization of PDS database upto fair price shop level and issue of Smart Cards to ration card holders.

(f) Targeted Public Distribution System (TPDS)

2.37 The objectives of TPDS are (i) to ensure availability and distribution of essential commodities at subsidized prices to poor people for their food security, and (ii) to supplement availability of foodgrains also to non-poor sections of population by distribution at subsidized prices, depending upon the available stocks in the central pool.

(I) Allocation to BPL/AAY families

2.38 In regard to allocations to BPL/AAY categories of people under TPDS, the Department of Food and Public Distribution has stated in a written reply that allocations of foodgrains for BPL and AAY categories are made @ 35 kg. Per family per month for all accepted 6.52 crore families in the country. Among these families, 2.43 crore families have been identified under AAY and ration cards have accordingly been issued to them. Under AAY foodgrains are issued at highly subsidized prices i.e. rice at Rs. 3 per kg and wheat at Rs. 2 per kg.

2.39 During briefing, the Committee pointed out the inadequate coverage under BPL/AAY and felt that there is a need for a fresh census. In this regard, the Department of Food and Public Distribution stated in a written reply that the Department uses the number of BPL families based on 1993-94 poverty estimates of Planning Commission and population estimates of the Registrar General of India as on

1st March, 2000. This number of BPL families is 6.52 crore which includes 2.43 crore Antyodaya Anna Yojana (AAY) families. However, the State and UT Governments have issued a total of 11.04 crore BPL cards (which include 2.43 crore AAY cards). As for need for conduct of fresh BPL census, if the poverty estimates of 2004-05 projected on March, 2009 population is compared with the poverty estimates of 1993-94 projected on 2000 population, the incidence of poverty has come down from 36% of the population to 27.5% and the actual numbers have come down from 6.52 crore to 5.91 crore."

(II) Allocation to APL families

2.40 The Department of Food and Public Distribution stated in its background note that allocation under APL category are made depending upon the availability of foodgrains in Central Pool and past offtake. During 2009-10, a quantity of 172 lakh tonnes of foodgrains have been allocated to States/UTs as compared to 112 lakh tonnes during 2008-09. Presently these allocations range between 10 kg and 35 kg per family per month in different States/UTs.

2.41 During briefing, the Committee expressed the need for universalisation of PDS to benefit all the sections of the society. In this regard, the Ministry in a written reply stated that targeted PDS was introduced in order to focus the benefit of subsidized foodgrains to poor households. In universal PDS, there is a likelihood that poor household will have to pay a higher amount to obtain the same quantity of foodgrains, as the CIP for BPL are highly subsidized and the same will have to be raised under universal PDS.

2.42 During briefing, the Committee asked whether the benefits under TPDS is reaching the poor where there are leakages/diversions in the system. In this regard, the Department of Food and Public Distribution stated that Targeted Public Distribution System (TPDS) is implemented jointly by the Government of India and State/UT Governments with sharing of responsibilities. The Central Government allocates foodgrains to States/UTs and ensures their availability at designated depots. The

responsibility for allocation of foodgrain within State/UT, their transportation upto the Fair Price Shops, identification of eligible BPL & AAY families based on estimates of Planning Commission, issuance of rations cards to them and supervision over distribution of allocated foodgrains to eligible ration card holders through the fair price shops rest with State/UT Governments.

2.43 Public Distribution System (Control) Order, 2001 mandates the State and UT Governments to carryout all required action to ensure smooth functioning of TPDS in the State/UTs. An offence committed in violation of the provisions of this Order is liable for penal action under the Essential Commodities Act. 1955. In this regard, the Department has informed the Committee that the complaints as and when received by Government from the individuals and organizations, as well as through press reports about leakages/diversion of TPDS commodities are sent to concerned State/UT Governments for inquiry and action.

2.44 In regard to the evaluation of TPDS, the Department informed the Committee that the Government got the functioning of TPDS evaluated through PEO of the Planning Commission and ORG MARG, New Delhi. Their reports received in 2005 pointed out certain shortcomings such as diversion/leakages of foodgrains, inclusion and exclusion errors in identification of targeted beneficiaries and non-viability of operation of Fair Price Shops. Based upon the evaluation reports, a 9-point action plan was prepared in 2006 for implementation by the State and UT Governments. This includes the following:-

I. Continuous review of the BPL and AAY lists to eliminate bogus ration cards and to ensure coverage of only eligible BPL and Antyodaya families.

II. Ensuring leakage-free and diversion-free distribution of PDS commodities, regular inspection by different levels of functionaries, strict action against guilty persons/agencies.

III. Involvement of Panchayati Raj Institutions in PDS operations- PRI representatives on Advisory Committees, running of fair price shops by

Panchayats and effective representation of Panchayati Raj representatives on Vigilance Committees.

IV. Ensuring transparency in working of PDS, display of BPL and AAY lists by fair price shops, observance of notified timings by fair price shops.

V. Use of Information Technology, Computerization of TPDS operators, display of fair price shop-wise and district-wise allocations of PDS commodities on websites for public scrutiny.

VI. Carry out door-step delivery of PDS commodities to fair price shops.

VII. Ensuring timely availability of and issuance of foodgrains by fair price shops.

VIII. Creating awareness among public about PDS operations, training Vigilance Committees of intricacies of PDS operations.

IX. Making fair price shops financially viable entities – allowing them to sell non-PDS items etc.

2.45 The Committee was further informed that the Department of Food and Public Distribution is continuously reviewing the progress of implementation of the 9 Point Action Plan based on the reports of PEO & ORG MARG, a concurrent evaluation study was assigned by the Government to National Council of Applied Economic Research (NCAER) in 12 States and Indian Institute of Public Administration (IIPA) in 14 States/UTs. NCAER has submitted reports in respect of TPDS for all 12 States. In this study, it has been found that the delivery mechanism of TPDS was quite effective in eight of the twelve selected States where more than 80 per cent of the Below Poverty Line (BPL) household obtained their entitled quantity of cereals regularly. In the selected States, majority of the AAY households received close to the fixed entitlement of rice and wheat (35 kgs) except in the case of Bihar, Mizoram and Madhya Pradesh. The price charged for TPDS foodgrains was close to Rs. 2 per kg for wheat and Rs. 3 per kg for rice for majority of Antyodaya families. These reports have been sent to the concerned State Governments for taking necessary remedial measures to streamline TPDS. IIPA is yet to submit its final reports with respect of TPDS in 14 States/UTs.

(g) Storage of foodgrains by Food Corporation of India

2.46 Food Corporation of India (FCI) stocks foodgrains either in godowns (which is called 'covered space') or in CAP (Covered with plinth) (which is called open space). When the Committee asked about the total space for storage with FCI, Chairman and Managing Director (CMD), FCI informed the Committee during evidence as under:-

> "On the information that the Hon'ble Chairman has asked I would like to submit that the covered space that we have our own is 129.6 lakh tonnes, we have taken on hire basis from the private, it is 119.16 lakh tonnes; total covered space that we have with FCI is 248.53 lakh tonnes. The second category, which we keep it in the open under the polythene, our own is 23.13 lakh tonnes and hired is 4.33 lakh tonnes. Total cap capacity is 27.46 lakh tonnes. "

2.47 When it was further asked where the CAP facility is situated, CMD, FCI stated, "Sir, mostly these are in Punjab, Haryana because as you know at the time of procurement, in the procuring stage in most of the places we do not have the covered ones." In this regard, when the Committee asked, what are the difficulties in having this space covered, CMD, FCI replied as follows:

> "The main problem is that if we see this year it is unprecedented. The procurement that we did is 252 lakh tonnes. Last year it was 226 lakh tonnes. The year prior to the last year it was 111 lakh tonnes and prior to that it was 92 lakh tonnes. So, with this problem what happened was that under the seven year guarantee scheme we had taken and created almost 69 lakh tonnes of capacity which was covered but because of this drought condition and our procurement dwindled because the production was less, questions were asked as to why the FCI was having these godowns for which you have given guarantee for seven years. Even the C&AG found fault with Department, even the hon. Standing Committee of Parliament also gave recommendations."

2.48 In regard to the region-wise details of the foodgrains stored by FCI under CAP (Covered and Plinth) storage (as on 15.8.2009) are as under:-

(In Lakh MT)

Name of Region	CAP capacity	Stocks held

BIHAR	0.43	0.09
DELHI	0.34	0.38
HARYANA	3.32	2.65
PUNJAB	9.84	7.34
CHANDIGARH	0.23	0.16
RAJASTHAN	1.85	1.69
UP	4.79	1.29
UTTARANCHAL	0.29	0.30
ANDHRA PRADESH	2.76	0.19
KERALA	0.20	--
KARNATAKA	1.17	0.01
TAMILNADU	0.55	0.43
PONDICHERRY	0.05	0.02
GUJARAT	0.27	0.52
MAHARASHTRA	1.02	0.36
MADHYA PRADESH	0.35	--
TOTAL	27.46	15.43

2.49 The Department of Food and Public Distribution in a written reply stated that with a view to augment storage capacity for storage of foodgrains by FCI in the country, a Plan Scheme for construction of godowns was formulated under the Five Year Plans to build and increase the storage capacity for storage of foodgrains. This scheme is funded by the Government of India with the approval of the Planning Commission and the funds are released to the FCI in the form of equity for land acquisition and for strengthening infrastructure in storage godowns, like railway sidings, including electrification, installation of weighbridge etc. Under the scheme the funds are also released in the form of Grants in Aid to the State Governments of North East

Region including Sikkim and the State Government of Jammu & Kashmir for construction of storage godowns by them.

2.50 The Department of Food and Public Distribution had initially proposed a total outlay of Rs. 291 crore out of which Rs. 87.92 crore was proposed for the NE States. In addition, Rs. 112 crore was suggested for J&K. However, the Planning Commission has approved an outlay of Rs. 149 crore only, out of which Rs. 125 crore is to be released as equity for FCI and Rs. 24 crore to North Eastern States as Grants in Aid.

2.51 To meet the requirement of storage capacity, the Department formulated a scheme for construction of godowns through private entrepreneurs in July, 2008. Under this scheme, the FCI can take the godowns in hire from Private parties through CWC/SWCs for a period of 5 years to 10 years depending upon its requirements of storage capacity and past records of capacity utilization in the area. Under this scheme no funds would be provided by the Government. FCI has identified 126.35 lakh tonnes of capacity to be created under the Scheme. The scheme is to be implemented through SWCs who will be inviting tenders under the scheme.

2.52 In addition, CWC is creating capacity of 88,200 lakh tonnes at its own land for which FCI will offer a guarantee of 4 years. Similarly, SWCs are creating a capacity of 4,18,300 lakh tonnes of capacity on their own land for which FCI will extend a guarantee of 4 years. In States like J&K where there is no SWC, FCI will invite tenders directly for construction of godowns under the scheme.

2.53 In the North East storage capacity available with FCI is only 4.43 lakh MT. As per the present norms, FCI is required to stock food grains for four months requirements in each State. In order to attain this norm, FCI requires 11.78 lakh MT in North-East Zone. However, due to the special nature of the region and the frequent disruption of rail/road transportation due to landslides, law and order problems as well as limited rail and road transport infrastructure, it is felt that FCI should stock foodgrains equivalent to six months requirements in North-East Zone. A total storage capacity of 17.67 lakh MT is required by FCI to stock foodgrains for six months

requirements. Therefore, there is an urgent need to augment storage capacity in North East Zone.

2.54 The Department has further stated that the availability of funds under the existing plan scheme for construction of godowns by FCI and State agencies is quite limited. FCI has suggested creation of 4.37 lakh tonnes capacity in North Eastern States in two phases by CWC by taking over the surplus land from Railways at few places and acquiring land at other places. The matter has been taken up with Ministry of Railways. The total funds requirement for creation of additional 4.37 lakh MT of storage capacity in North-Eastern Zone is Rs. 420 crore. Most of the new godowns in North Eastern States are proposed to be constructed by FCI with dedicated railways sidings. Ministry of Railways has been requested to transfer land to CWC so that it may undertake construction of godowns for which FCI will extend a guarantee for four years.

(h) <u>Damage of foodgrains</u>

2.55 The Committee asked about the damage of foodgrains during storage. In this regard, CMD, FCI stated during evidence, 'The total quantity of both wheat and rice declared as damaged was 20,000 metric tonnes and in the previous year, it was 34,000 metric tonnes. The quantity handled and the percentage of damage, in terms of quantity, come to 0.02 per cent and in terms of value, it is 0.01 per cent.'

2.56 In this regard, the Department of Food and Public Distribution further informed the Committee that as per information furnished by FCI no foodgrains have been lost/damaged due to poor storage and transit facilities. However, certain quantities may get damaged due to:-

(a) Abiotic factors such as exposure during natural calamities like fire, flood, cyclone, absorption of floor seepage (moisture) etc. The foodgrains also get damaged due to

prolonged storage in open (Cover and Plinth) i.e. constant exposure to sun, rain, cyclone and leakages in polythene covers etc.

(b) Biotic factors such as insect infestation during storage results in excessive weevilisation and power formation etc. and also due to Microbial damage (fungal damage) due to excessive moisture in the foodgrains.

The year wise accruals of damaged foodgrains are as follows:

(Metric tonnes)

1999-2000	2.12
2000-2001	1.82
2001-2002	0.65
2002-2003	1.35
2003-2004	0.76
2004-2005	0.97
2005-2006	0.95
2006-2007	0.25
2007-2008	0.34
2008-2009	0.20

OBSERVATIONS/RECOMMENDATIONS

3.1 The Committee were concerned to note that the South West Monsoon this year was highly erratic and that the deficiency in rainfall had created drought/drought like situation in many parts of the country. Rain deficient areas were declared as drought affected by the State Governments. As many as 278 districts across 11 States were declared as either facing drought or the drought like conditions. Taking stock of the situation, the Committee were worried that the drought would have an adverse impact on the production of foodgrains particularly during khariff season and that the fall in agricultural production would result in rise of prices of essential commodities such as rice, wheat, pulses, sugar, etc. As the situation warranted strong and timely measures on the part of the Government to manage the drought, meet the food needs of the people, and to control food prices, the Committee had selected the subject "Drought management, foodgrains production and price situation" to examine the same on priority basis. The observations and recommendations of the Committee, on the aspects of the subject relating to the Ministry of Consumer Affairs, Food and Public Distribution, are given in the subsequent paragraphs.

(i) Department of Consumer Affairs

3.2 The Committee note that there is a Price Monitoring Cell (PMC) in the Department of Consumer Affairs to monitor the availability and prices of 17 essential commodities in the country including rice, wheat, atta, gram dal, tur dal, urad dal, onion, potato and sugar. Wholesale and retail prices are obtained by PMC from the State Food and Civil Supplies Departments. The cell is merely collecting and disseminating information pertaining to the prices of essential commodities. Even in this role, the Committee find deficiency. For instance, potato is one of the items being monitored by the Cell. The price of potatoes has suddenly risen in recent months. The Secretary, Consumer Affairs,

informed the Committee in regard to its availability that 'some people' are saying that the stocks of potatoes are sufficient and that 'some people' are saying that the excess quantity of potatoes exists. The Committee regret to note that the Secretary, Consumer Affairs is not aware of the availability position of potatoes when its retail prices are sky-rocketing. When PMC is working under him, he should have been able to provide exact information on availability of potatoes in the country. The above instance is sufficient to show that PMC is merely monitoring the prices of those essential commodities. In Committee's view, the exact role which should be played by PMC is monitoring of demand and availability position of essential commodities, its effects on prices and initiating necessary corrective steps in coordination with the departments concerned in a time bound manner. They, therefore, recommend that the role of PMC should be redefined in the wake of current situation of price rise and it should be headed by an officer of the rank of Secretary exclusively for the purpose. He should be compressed to take necessary steps for controlling the prices of essential commodities.

3.3 The Committee note that presently prices of pulses, onion and potato are very high in the market thereby causing severe hardships to the people. They, therefore, recommend that the Government should implement vigorously Market Intervention Schemes in coordination with the State Governments concerned and NAFED to ensure reasonable price to both the growers and consumers.

3.4 The Committee are deeply concerned to note that the prices of essential commodities such as rice, tur dal, urad dal, gram dal, vegetables and sugar are very high which has put the common man in

severe hardship. They find that the demand and supply theory has failed by the perceptions and speculations of the middlemen in the supply chain. For instance, the country is not self sufficient in the production of pulses and also, presently, in the production of sugarcane. As a result of which the country has to import pulses and sugar to a large extent at a high price. In this regard, the committee note that the Government has allowed duty free import of pulses and raw sugar. However, the prices of these essential commodities are still sky-rocketing even after their duty free import to meet the demand and to augment supply. In this regard, the Committee find that the fixation of prices of essential commodities has been entirely left to market forces leaving the consumer at the mercy of greedy traders. Wholesalers and retailers in the supply chain decide the prices of essential commodities and there is no control of the Government at present to limit their profit margins. The situation neither favours the producers i.e. farmers nor the consumers. The producers are not getting the remunerative prices for their produce right at the time of crop harvesting the prices go down resulting in loss to farmers and as soon as the produce reaches the market from the agricultural field the prices start sky-rocketing. Middlemen such as wholesalers and retailers are fully exploiting the situation in collusion with some concerned authorities and earning huge profits by increasing the prices arbitrarily and artificially on the basis of speculations and perceptions. The Committee, therefore, recommend that the Government should expeditiously come out with a new legislation for controlling the retail prices of essential commodities such as rice, wheat, pulses, edible oils, sugar, milk and vegetables. Provisions of the legislation should include limitation of profit margins of wholesalers, retailers and others in the supply chain to a definite percentage, setting up of a monitoring authority for monitoring the

actions of middlemen such as wholesalers, retailers and others and stern action to be taken against those who arbitrarily hike prices of essential commodities for their own advantage. The action taken in this regard should be submitted to the Committee immediately.

3.5 The Committee regret to note that effectiveness of Essential Commodities Act has been diluted. They learnt that two central notifications were issued on 15.02.2002 and 16.06.2002 for removing the licensing requirements, stock limits and movement restrictions on essential commodities which were specified in the Act. Subsequent to the issue of these notifications, there was rise in prices of essential commodities and the Government had to impose restrictions by keeping in abeyance some of the provisions of the Central Order dated 15.2.2002 in respect of pulses, edible oils, edible oilseeds, rice, paddy and sugar. Restrictions on sugar are valid till 8.1.2010 and the restrictions on other five items were valid up to 30.9.2009. These restriction orders are proposed to be extended beyond the validity period and the matter has been referred to the Cabinet. In Committee's view such ad hoc measures will not result in decrease of prices of essential commodities. It is imperative to come to a permanent solution urgently to this issue which involve serious implications. Interests of the people of this country cannot be compromised under any circumstances. To protect their interests, Essential Commodities Act, 1955 should be implemented in letter and spirit. The Committee, therefore, recommend that a comprehensive review of the effect of the above mentioned notifications should be undertaken immediately. Based on the review, a permanent notification withdrawing the provisions of the central orders dated 15.02.2002 and 16.06.2002 should be issued so as to take effective action against those who

indulge in artificial price hike by resorting to hoarding, etc. in violation of Essential Commodities Act, 1955.

3.6 The Committee note with concern that the Department of Consumer Affairs does not have exact information on the issue of stock limiting orders by States on pulses, edible oils, rice, paddy and sugar. It has been stated that 15 States have either actually issued stock limit orders or are in the process of issuing the same. Exact details should have been given in this regard. Moreover, there is no uniformity in issuing stock limiting orders by States. A few States have issued stock limit orders on all the above items, a few States have issued stock limit orders on wheat and pulses only and some have issued orders on only licensing requirements/stock declaration. The Committee are of the strong view that the provisions of the Essential Commodities Act should be implemented uniformly throughout the country. In this regard, they note that the State Governments, who have not issued stock limiting orders, have been repeatedly requested by the Department to do so. In this regard, the Committee recommend that the issue of stock limiting orders should be made mandatory for the States for receiving foodgrains from Central Pool.

3.7 The Committee note that the Department of Consumer Affairs does not have any proposal to bring in any amendment to the Essential Commodities Act at this stage as the Department feel that the available provisions are adequate, if properly implemented, to achieve the desired objectives. However, perusal of the reasons furnished by a few States for the less number of prosecutions and convictions under the Essential Commodities Act, shows that there is a need for bringing necessary amendments to the Act. The reasons such as (i) the cases detected are compounded instead of punishing due to large number of cases, (ii) difficulties of enforcing officials in playing dual role of

launching prosecutions before the court of law as well as proceedings before the District Collector and (iii) Magistrate Courts inability to give priority to the disposal of cases under the Essential Commodities Act due to pendency of large number of criminal cases, should be looked into by the Department as they prove to be a hindrance for the effective implementation of the Act. Particularly compounding of cases will only encourage those persons to indulge in such acts again and get away with fines. Compounding of cases ought to be stopped forthwith to make the Act effective. Moreover, offences under the Essential Commodities Act have an impact on food security of the country and therefore speedy trial of the cases is a must. The Committee, therefore, recommend that the Government should consider setting up of Special Courts in every State on the lines of Debt Recovery Tribunals, to hear exclusively the cases pertaining to Essential Commodities Act and thereby compounding of cases can be stopped and proceedings before the district collectors can also be brought under such special courts.

3.8 The Committee note that futures trading gives the advance and aggregated information of the likely price scenario of a particular commodity at future date. As such, there are possibilities that futures trading may spawn excessive speculation and cause artificial price rise. Even the Expert Committee appointed by the Department of Consumer Affairs has concluded that no strong conclusion can be drawn on whether introduction of futures trade is associated with decrease or increase in spot price volatility. The Expert Committee did not give 100% green signal for futures trading. Since, food security of the country is at the stake, the Committee recommend that futures trading in wheat, rice, tur dal, urad dal and sugar should be banned till the

country achieves self sufficiency in the production of these items on a continuous basis.

3.9 The Committee note with concern that about 2 lakh tonnes of imported pulses are lying in and around Tuticorin and Mumbai Ports. As the domestic production of pulses is much less than the consumption, the country is importing pulses at higher cost to meet the requirements of the people. Prices of pulses, particularly that of Arhar and Urad are already very high in the country. Permission to store such large quantities of pulses in the vicinity of the ports would further lead to availability constraints and further price rise. The Committee, therefore, recommend that regular inspections should be conducted by the authorities concerned and strict action taken against those importers who store essential commodities, after import, in such large quantities in and around the ports and even other places. All the ports should also be instructed to ensure immediate movement of pulses and sugar imported through their ports.

3.10 The Committee note that the Department of Consumer Affairs is implementing a scheme for distribution of imported pulses through Public Distribution System as a one time measure. As per the scheme, the subsidy given by the Central Government is limited to Rs. 10 per Kg. Moreover, one kg of pulses is distributed to each family irrespective of the size of the family. The Committee consider this grossly inadequate in view of the large intake of pulses by the people of the country. The Committee, therefore, recommend that the pulses be distributed regularly through PDS and the quantum of pulses distributed be commensurate to the family size of the beneficiary.

(ii) Department of Food and Public Distribution

3.11 The Committee note with satisfaction that the Central Pool stocks of wheat and rice are quite comfortable. Country witnessed record production of both wheat and rice during the previous season. As a result, opening balance for the current season for both wheat and rice was very comfortable. However, if the production of rice during the current khariff season is less than the requirements due to drought etc., the Government propose to consider import of rice to increase its availability in the market. Reduction of import duty on rice is under consideration. The Committee find that this 'under consideration' affair is very often a lengthy and cumbersome procedure. By the time a decision is taken by the Government, the situation goes out of control and the Government finally react in a knee-jerk manner. As the people are the ultimate sufferers in such situations, the Committee recommend that the Government should take advance action to assess the expected production of rice during khariff 2009-10 and appropriate measures including import of rice should be initiated on time.

3.12 The Committee are not convinced with the argument that domestic prices of wheat and rice are linked to international prices even when the country is self-sufficient in these essential commodities. In this regard, the contention of the Ministry that the open market prices are affected by many factors viz. production, procurement, stocks, speculative trading by private traders due to variation in international prices etc. is not acceptable to the Committee. When a commodity is domestically produced in adequate quantum and its availability is sufficient to meet the requirements of the people, then there is no question of domestic prices getting affected by the global outlook. It is the duty of the Government to protect the people from such

unscrupulous elements which indulge in artificial price hike of essential commodities. The Committee, therefore, recommend that the Government should bring in necessary controls in regard to insulation of domestic prices from the effects of international prices when a commodity is available in sufficient quantity domestically to meet the requirements of the people. Strict action should be taken against those middlemen who indulge in speculative hike of prices under the plea of global outlook.

3.13 The Committee note that the Food Corporation of India on the instructions from the Government of India has been undertaking sale of wheat at pre-determined prices in the open market from time to time to have a moderating influence on the Open Market Prices. In order to check the inflationary trends in the food economy, the Central Government proposes to release 30 lakh tonnes of wheat and 15 lakh tonnes of rice under this open market sale scheme during 2009-2010. These releases were proposed to be effected between September 2009 to March 2010. However, since the briefing of the Committee on the subject on 28.8.2009 till the second evidence on 05.10.2009, the scheme was at proposal stage only and the Department had given the replies such as state-wise allocations were being finalized and the detailed guidelines of release of wheat and rice under OMSS, 2009-10, are being finalized etc. Quick decisions and effective implementation of the decisions taken is the need of the hour to address the issue of present inflationary trends in the food economy. The Committee, therefore, recommend that immediate decisions should be taken on allocations to state, time and place of release of foodgrains and the issue price. The release of wheat and rice should commence without any further loss of time. Action taken in this regard should be intimated to the Committee.

3.14 The Committee note that the household consumers in the country consume about 30-35% of the sugar available in the market. Rest of the 60-65% of sugar is consumed by bulk consumers who constitute the non-household sector. The Government has imposed a stock holding limit of 15 days for the requirements of bulk consumers. The Committee feel that merely imposing a stock holding limit will not help in the present situation. It should be monitored by the Central and State agencies whether these bulk consumers are releasing their excess stocks or not. The Committee, therefore, recommend that the Central Government either with its own monitoring mechanism or with the help of State Governments check up the sugar stocks of these bulk consumers. If any one hoards more than the limit, prompt and strict action should be taken against them.

3.15 The Committee are concerned to note that the percentage of sugar levied on sugar mills for distribution under PDS, has been decreased from 65% in 1984 to 10% in 2009. In view of the anticipated less production of sugar during the current year, levy percentage has been increased to 20% from October, 2009. The Government's stand that increase in percentage of levy sugar would mean a higher subsidy to the Govt. is not acceptable to the Committee. In case of imposition of 10% of levy sugar, 90% of the sugar production goes to open market where there is no price control regime. In such a situation, price of sugar in open market rises arbitrarily and uncontrollably. As of now, most of the middle class families are not eligible for PDS sugar and they have to bear the brunt of artificial price rise of sugar. The Committee, therefore, recommend that the percentage of levy sugar should be increased so as to distribute sugar to middle class families also through PDS. Price fixed for APL families may be slightly higher than the price given to BPL families. This would take care of the

subsidy burden of the Government and at the same APL families would get sugar at a justified price. This would also be a check on the market price of sugar.

3.16 The Committee note that the Central Government with a view to incentivize improvement in productivity of sugarcane cultivation and recovery of sugar production has decided to assist the sugarcane growers with soft loans from Sugar Development Fund. However, this loan is not directly given to sugarcane farmers. It is disbursed to sugar factories, who in turn, pass on the loans in cash or kind to the sugarcane growers. In this regard, the Government has clarified that SDF loans can only be given to a sugar factory and not directly to the farmers, after the necessary security has been provided by the sugar factory as per the provision of the Sugar Development Fund Act, 1982. In Committee's view leaving entirely the process of loan disbursement and its recovery to the sugar mills will not be in the interest of farmers. Eventhough there is a rule that the sugar factory shall pay a penal interest of 6% per annum on the amount not disbursed to the cane growers, it will be difficult to verify whether the loan amount is fully disbursed to the cane growers. As the present system puts the cane growers at the mercy of sugar factories, the Committee recommend that the loans to cane growers should be directly disbursed to them through banks. If necessary, an amendment to the Sugarcane Development Fund Act, 1982 may be made in this regard.

3.17 The Committee note that Minimum Support Price for food crops viz. wheat and paddy was higher than Statutory Minimum Price (SMP) of sugarcane in the last two years. This has been stated as one of the reasons for shifting of sugarcane farmers to other crops. When sugarcane farmers are not getting remunerative price for their crops, there is little hope that they will continue to raise the sugarcane crop.

Eventhough, SMP has been raised to Rs. 107.76 from Rs. 81.18 per quintal with additional recovery benefits, the Committee recommend that a comprehensive review of methodology of arriving at SMP should be conducted and a higher SMP should be fixed for cane growers so as to encourage them to raise sugarcane crops continuously.

3.18 The Committee note that the Government is not holding any buffer stocks of sugar, regularly, as being done in the case of wheat and rice. Sugar stocks are released by sugar mills for sale in open market. In this regard, they note that the Government has conducted excise checks to check the stocks with sugar mills as there were complaints that sugar mills were showing bogus sales. During such raids unreleased stocks are converted into levy sugar. This year about five lakh tonnes of unsold sugar by sugar mills was converted into levy sugar. In Committees' view, this is a kind of hoarding which also leads to price hike in the market. The Committee, therefore, recommend that apart from conversion into levy sugar, punitive action should also be taken against those sugar mills which indulge in this kind of activities. Moreover, excise check should be conducted invariably on all sugar mills instead of waiting for complaints. The Committee, further recommend that the Government should consider holding of buffer stocks of sugar by FCI atleast to the level of normative requirement so as to intervene timely in the case of shortage in the availability of sugar in the market.

3.19 The Committee note that the Department of Food and Public Distribution has specifically advised the States to strictly implement monthly certification by village panchayats etc. regarding delivery of foodgrains to Fair Price Shops in time and their distribution to ration card holders and allotment of Fair Price Shops to Self Help Groups (SHGs). In this regard, the Committee find that only 10 States and

one Union Territory have started monthly certification by village panchayats etc. Similarly, about 86,000 Fair Price Shops have only been allotted to SHGs, cooperatives etc. out of 5 lakh FPS in the country. The Committee expect that concerted efforts would be made by the Department for the implementation of certification system in other States as well in a time bound manner. They recommend that certification should include reporting irregularities in FPS to the concerned officials for strict action on those involved in irregularities. The Committee further recommend that the efforts should be made to allot as many FPSs as possible to women self help groups on a turn-over commission basis. This would enable the SHGs to earn a livelihood and also eliminate irregularities to a large extent. Moreover, electronic weighing machines should be provided to FPSs as a central scheme to prevent misuse by the staff in the measurement process. The Committee also recommend the fool proof measures should be taken in coordination with State Governments to check issue of fake ration cards. Strict action should be taken against those who indulge in this kind of activity.

3.20 The Committee are concerned to note that the present system of enumeration of eligible BPL families for inclusion in Targeted Public Distribution System is fraught with serious deficiencies. The number of BPL as per Central Government estimates is 6.52 crore which includes 2.43 crore Antyodaya Anna Yojana (AAY) families. However, the State and UT Governments have issued a total of 11.04 crore BPL cards. In this regard, the Committee note that the Central Government's statistics is based on 1993-94 poverty estimates of Planning Commission and population estimates of the Registrar General of India as on 1st March, 2000. It is not acceptable to the Committee that the number of BPL families have come down from 6.52 crore to 5.91 crore

as per the poverty estimates of 2004-05 projected on March, 2009. Relying on estimates to calculate the number of BPL families may not be accurate and the ground reality may be different. The Committee, therefore, recommend that a complete enumeration of BPL and AAY families should be undertaken on war footing by the Central Government in coordination with State Governments so as to have an exact list of BPL/AAY families. Norms for identification of BPL/AAY families may also be reviewed.

3.21 The Committee are not satisfied with the present system of Targeted Public Distribution System which does not benefit a vast section of the society particularly middle class families. Priority must be given to BPL and AAY families and there is no second opinion in that. However, PDS should also benefit middle class families who fall in the category of Above Poverty Line families. At present allocations under APL category are made depending upon the availability of foodgrains in Central Pool and the Past offtake. The Committee feel that universalisation of PDS would provide a solution to the current woes of the PDS in the country. In this regard, the Government's apprehension that the poor household will have to pay a higher amount to obtain the same quantity of foodgrains is unwarranted. The foodgrains and other commodities being distributed to the BPL/AAY families should continue to be at the same subsidized price. The Committee recommend that two slabs of prices should be created for distribution of commodities under universal PDS. The lower slab of prices is to be fixed for BPL/AAY families and the higher slab for APL families. Moreover, alongwith foodgrains, sugar and pulses should also be given regularly under the Public Distribution System.

3.22 The Committee note that 15.43 lakh tonnes of foodgrains were stored under CAP (covered and plinth) system in open space, as on 15.08.2009, in various States in the country. Out of this about 9.99 lakh tonnes of foodgrains are stored under CAP in Punjab and Haryana alone. The Committee note that a plan scheme has been formulated by the Government to build and increase the storage capacity for storage of foodgrains by FCI in the country. An amount of Rs. 291 crore was proposed by the Department of Food and Public Distribution for the implementation of the scheme. However, Planning Commission had approved only an outlay of Rs. 149 crore. A quantum of 20,000 metric tonnes of wheat and rice was declared as damaged during 2008-09. One of the main reasons for this damage was the prolonged storage of foodgrains in open space under CAP system. The Committee, therefore, recommend that this issue should be taken up at the highest level with Planning Commission for the allocation of the amount proposed by the Department. Construction of godowns by FCI either by its own or in collaboration with private sector should be taken up by the Government on priority basis. Necessary steps should also be taken to avoid damage of foodgrains stored in the custody of FCI, CWC, SWCs including overhaul and repair of existing godowns, installation of modern equipments in order to contain moisture content of foodgrains and to prevent destruction of foodgrains by rodents and other biotic and abiotic factors.

New Delhi;
November 23, 2009
Agrahayana 2, 1931 (Saka)

FRANCISCO SARDINHA
Chairman,
Committee on Estimates

MINUTES OF THIRD SITTING OF THE ESTIMATES COMMITTEE

(2009-2010)

The Committee sat on Friday, the 28th August, 2009 from 1100 hrs. to 1345 hrs.

PRESENT

Shri Francisco Sardinha - Chairman

MEMBERS

2. Shri Adhir Ranjan Chowdhury
3. Shri T.K.S Elangovan
4. Dr. Sanjay Jaiswal
5. Shri Ramesh Jigajinagi
6. Shri P. Karunakaran
7. Shri Mohinder Singh Kaypee
8. Shri Chandrakant Khaire
9. Shri M. Krishnaswamy
10. Smt. Ranee Narah
11. Shri Prabodh Panda
12. Shri Ravindra Kumar Pandey
13. Shri Kabindra Purkayastha
14. Shri C. Rajendran
15. Shri K. Jaya Surya Prakash Reddy

16. Shri S. Semmalai

17. Shri Madan Lal Sharma

18. Shri Brij Bhushan Sharan Singh

19. Dr. Raghuvansh Prasad Singh

20. Shri Lalji Tondon

21. Shri Manish Tewari

22. Shri K.C. Venugopal

SECRETARIAT

1.	Shri U.S. Saxena	-	Joint Secretary
2.	Shri Bhupesh Kumar	-	Director
3.	Smt. Manju Chaudhary	-	Deputy Secretary
4.	Shri C. Kalyanasundaram	-	Under Secretary

WITNESSES

Ministry of Consumer Affairs, Food and Public Distribution

(Dept. of Consumer Affairs)

1.	Shri Rajiv Aggarwal	-	Secretary
2.	Shri A.S. Lamba	-	Additional Secretary & FA
3.	Shri Kewal Ram	-	Senior Economic Advisor
4.	Shri Sanjay Singh	-	Joint Secretary (CA)
5.	Ms. Anandi Ravichandaran	-	Economic Advisor

(Dept. of Food and Public Distribution)

1.	Smt. Alka Sirohi	-	Secretary
2.	Shri Siraj Hussain	-	JS (Pol. & FCI)
3.	Dr. Bhagwan Sahai	-	JS (BP, PD&IC)
4.	Dr. C.I. Joy	-	JS (Impex, EOP & CVO)
5.	Shri Naveen Prakash	-	JS (Stg. & Admn)
6.	Shri Nilanjan Sanyal	-	JS (Sugar & SA)
7.	Shri P.C. Das	-	Chief Controller of Accounts
8.	Shri R.P. Bhagria	-	Chief Director (Sugar)

MINISTRY OF AGRICULTURE

1.	Dr. S.M. Jharwal	-	Principal Advisor
2.	Mr. J.S. Samra	-	CEO (Rain Fed Authority of India)

2. At the outset, the Chairman welcomed the Members of the Committee and representatives of Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs and Department of Food and Public Distribution) to the sitting of the Committee.

3. Thereafter, the Secretaries of both the Departments made audio-visual presentations to the Committee on the subject 'Drought management, foodgrains production and price situation'. The Members raised questions on the subject. The Secretaries of both the Departments were requested to furnish replies to the questions in writing.

4. **** **** **** ****

5. A verbatim record of the proceedings has been kept.

The Committee then adjourned.

MINUTES OF FIFTH SITTING OF THE ESTIMATES COMMITTEE

(2009-2010)

The Committee sat on Wednesday, the 9th September, 2009 from 1030 hrs. to 1250 hrs.

PRESENT

Shri Francisco Sardinha - Chairman

MEMBERS

2. Smt. Harsimrat Kaur Badal
3. Shri Sanjay Singh Chauhan
4. Shri T.K.S. Elangovan
5. Shri Ramesh Jigajinagi
6. Shri Mohinder Singh Kaypee
7. Shri Chandrakant Khaire
8. Shri Vikrambhai Arjanbhai Madam
9. Smt. Ranee Narah
10. Shri Prabodh Panda
11. Shri Ravindra Kumar Pandey
12. Shri Jagdish Singh Rana

13. Shri K. Jaya Surya Prakash Reddy

14. Shri S. Semmalai

15. Shri Madan Lal Sharma

16. Shri Brij Bhushan Sharan Singh

17. Dr. Raghuvansh Prasad Singh

18. Shri Sushil Kumar Singh

19. Shri K.C. Venugopal

SECRETARIAT

1.	Shri U.S. Saxena	-	Joint Secretary
2.	Shri Bhupesh Kumar	-	Director
3.	Smt. Manju Chaudhary	-	Deputy Secretary
4.	Shri C. Kalyanasundaram	-	Under Secretary

WITNESSES

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBIC DISTRIBUTION

(DEPT. OF FOOD AND PUBLIC DISTRIBUTION)

1.	Smt. Alka Sirohi	-	Secretary (F&PD)
2.	Shri Chaman Kumar	-	Additional Secretary (FA)
3.	Shri Siraj Hussain	-	JS (Pol. & FCI)
4.	Dr. Bhagwan Sahai	-	JS (BP, PD & IC)
5.	Dr. C.I. Joy	-	JS (Impex, EOP & CVO)
6.	Shri Naveen Prakash	-	JS (Stg. & Admn.)
7.	Shri Nilanjan Sanyal	-	JS (Sugar & SA)

8.	Shri Deepak Kumar Panwar	-	CMD, FCI
9.	Shri Javed Yusuf Zai	-	ED (Commercial), FCI
10.	Shri P.P. Singh	-	ED (General), FCI
11.	Shri Rakesh Garg	-	ED (Transport), FCI
12.	Shri B.S. Mohapatra	-	ED (Fin.), FCI

(DEPT. OF CONSUMER AFFAIRS)

1.	Shri Rajiv Agarwal	-	Secretary (CA)
2.	Shri Rakesh Kacker	-	Addl. Secy (CA)
3.	Shri Sanjay Kumar Singh	-	Joint Secretary (CA)
4.	Ms. Anandi Ravichandaran	-	EA

MINISTRY OF AGRICULTURE

(DEPT. OF AGRICULTURE AND COOPERATION)

1.	Shri S.M. Jharwal	-	Principal Advisor
2.	Shri J.S. Samra	-	CEO, NRAA

2. At the outset, the Chairman welcomed the Members of the Committee and representatives of Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs and Department of Public Distribution) and other Ministries/Departments to the sitting of the Committee.

3. Thereafter, the Committee took the oral evidence of the representatives of the Ministries/Departments on the subject 'Drought management, foodgrain production and price situation'. The Members of the Committee raised questions on various issues relating to the subject and the representatives of the Ministries/Departments replied to the same. The Secretaries of both the Departments of the Ministry of Consumer Affairs, Food and Public

Distribution were requested to furnish replies in writing to the questions for which answers were not readily available during evidence.

4. The Chairman invited the suggestions/recommendations, if any, on the subject from the Members of the Committee.

5. A verbatim record of the proceedings has been kept.

The Committee then adjourned.

MINUTES OF EIGHTH SITTING OF THE ESTIMATES COMMITTEE (2009-2010)

The Committee sat on Monday, the 5th October, 2009 from 1445 hrs. to 1715 hrs.

PRESENT

Shri Francisco Sardinha – Chairman

MEMBERS

2. Smt. Harsimrat Kaur Badal
3. Shri Sanjay Singh Chauhan
4. Shri T.K.S. Elangovan
5. Shri Ramesh Jigajinagi
6. Shri Mohinder Singh Kaypee
7. Shri M. Krishnaswamy
8. Shri Vikrambhai Arjanbhai Madam
9. Shri Prabodh Panda
10. Shri Ravindra Kumar Pandey
11. Shri Jagdish Singh Rana
12. Shri S. Semmalai
13. Shri Madan Lal Sharma
14. Shri Brij Bhushan Sharan Singh
15. Dr. Raghuvansh Prasad Singh
16. Shri Sushil Kumar Singh

17. Shri Lalji Tandon

18. Shri K.C. Venugopal

SECRETARIAT

1.	Shri U.S. Saxena	-	Joint Secretary
2.	Shri Bhupesh Kumar	-	Director
3.	Smt. Manju Chaudhary	-	Deputy Secretary
4.	Shri C. Kalyanasundaram	-	Under Secretary

WITNESSES

MINISTRY OF AGRICULTURE

1. Shri T. Nanda Kumar, Secretary
2. Shri P.K. Basu, Additional Secretary
3. Shri N.K. Das, Additional Secretary

4. Shri A.S. Lamba, Additional Secretary & Financial Adviser
5. Shri G. C. Pati, Additional Secretary
6. Shri Ashish Bahuguna, Additional Secretary
7. Shri S.M. Jharwal, Principal Adviser, Deptt. of Agriculture & Cooperation
8. Shri N.B. Singh, Agriculture Commissioner
9. Shri Jiji Thomson, Joint Secretary
10. Shri S.K. Pattanaik, Joint Secretary
11. Shri Atanu Purkayastha, Joint Secretary
12. Shri Mukesh Khullar, Joint Secretary
13. Ms. Upma Chawdhry, Joint Secretary
14. Shri Rajednra Kumar Tiwari, Joint Secretary
15. Shri Pankaj Kumar, Joint Secretary
16. Shri S.C. Garg, Joint Secretary
17. Dr. Gorakh Singh, Horticulture Commissioner
18. Shri A.K. Singh, DDG(NRM) ICAR
19. Shri R. Viswanthan, Member (official)CACP
20. Shri O. Ravi, Joint Secretary M/o Home Affairs
21. Dr. Ajit Tyagi, D.G. India Meteorological Department

22. Ms. Swaranmala Rawla, Joint Secretary, D/o Animal Husbandry & Dairying
23. Shri J.S. Samra, CEO, National Rainfed Authority of India

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION

DEPT. OF CONSUMER AFFAIRS

1. Shri Rajiv Agarwal, Secretary
2. Shri Rakesh Kacker, Addl. Secy. (CA)
3. Shri Chaman Kumar, AS&FA
4. Dr. Kewal Ram, Sr. Economic Adviser
5. Shri Sanjay Singh, Joint Secretary (CA)
6. Ms. Anandi Ravichandaran, EA

DEPT. OF FOOD & PUBLIC DISTRIBUTION

7. Smt. Alka Sirohi, Secretary (F&PD)
8. Shri Chaman Kumar, AS&FA
9. Shri A.K. Mangotra, AS&FA
10. Shri Siraj Hussain, Joint Secretary (P&FCI)
11. Dr. Bhagwan Sahai, Joint Secretary (BP, PD&IC)
12. Dr. C.I. Joy, Joint Secretary (I&EOP)
13. Shri Naveen Prakash, Joint Secretary (A&STG)
14. Shri Nilanjan Sanyal, Joint Secretary (S&SA)
15. Shri P.C. Das, CCA
16. Shri R.P. Bhagria, CD (Sugar)

FOOD CORPORATION OF INDIA (FCI)

17. Shri Deepak Kumar Panwar, CMD, FCI
18. Shri Javed Yusuf Zai, ED (C), FCI
19. Shri P.P. Singh, ED (G), FCI
20. Shri Rakesh Garg, ED (T), FCI
21. Shri B.S. Mohapatra, ED (F), FCI

2. **** **** **** ****.

3. Thereafter, the Chairman welcomed the representatives of the Ministry of Agriculture and Ministry of Consumer Affairs, Food and Public Distribution. The Committee took further oral evidence of the representatives of these Ministries on the subject 'Drought Management, foodgrains production and price situation'. The Members of the Committee raised questions on various issues involved in the subject and the representatives of the concerned Ministry replied to the same. The Secretaries of the concerned Ministries were requested to furnish replies in

writing for which answers were not readily available at the time of evidence. The evidence was concluded.

4. A verbatim record of the proceedings has been kept.

5. The Committee then adjourned to meet again on 6th October, 2009.

MINUTES OF THE TENTH SITTING OF THE ESTIMATES COMMITTEE

(2009-2010)

The Committee sat on Thursday, the 15th October, 2009 from 1445 hrs. to 1630 hrs.

PRESENT

Shri Francisco Sardinha – Chairman

MEMBERS

2. Shri Sanjay Singh Chauhan
3. Shri Adhir Ranjan Chowdhury
4. Shri T.K.S. Elangovan
5. Dr. Sanjay Jaiswal
6. Shri Ramesh Jigajinagi
7. Shri M. Krishnaswamy
8. Smt. Ranee Narah
9. Shri Probodh Panda
10. Shri Ravindra Kumar Pandey
11. Shri Jagdish Singh Rana
12. Shri S. Semmalai
13. Shri Brij Bhushan Sharan Singh
14. Dr. Raghuvansh Prasad Singh

SECRETARIAT

1. Shri U.S. Saxena - Joint Secretary
2. Shri Bhupesh Kumar - Director

3. Smt. Manju Chaudhary - Deputy Secretary

2. At the outset, the Chairman welcomed the Members of the Committee to the sitting of the Committee.

3. Thereafter, the Committee considered the draft recommendations on the subject 'Drought management, foodgrain production and price situation' and have decided to adopt the draft Report on the subject after incorporating the suggestions made by the Members on the recommendations.

4. The Committee also decided to hold the next sitting on 27th October, 2009.

The Committee then adjourned.

MINUTES OF THE FOURTEENTH SITTING OF THE ESTIMATES COMMITTEE (2009-2010)

The Committee sat on Thursday, the 19th November, 2009 from 1530 hrs. to 1715 hrs.

PRESENT

Shri Francisco Sardinha – Chairman

MEMBERS

2 Shri Sanjay Singh Chauhan

3 Shri Adhir Ranjan Chowdhury

4. Shri Bhakta Charan Das

5. Shri Ramesh Jigajinagi

6. Shri Chandrakant Khaire

7. Shri Prabodh Panda

8. Shri Kabindra Purkayastha

9. Shri S. Semmalai

10. Shri Sushil Kumar Singh

11. Shri Lalji Tandon

SECRETARIAT

1	Shri U.S. Saxena	-	Joint Secretary
2	Shri Bhupesh Kumar	-	Director
3	Shri C. Kalyanasundaram	-	Under Secretary

2. At the outset, the Chairman welcomed the Members of the Committee. Thereafter, The Committee took up for consideration the draft Report on the subject 'Drought management, foodgrain production and price situation' pertaining to the Ministry of Consumers Affairs, Food and Public Distribution and adopted the same with modifications/additions as given in the Annexure.

3. The Committee authorized the Chairman to finalise the Report in the light of modifications/additions and other consequential changes, if any, arising out of factual verification by the concerned Ministry and present the same to the House.

4. The Committee decided to select the following subjects in addition to the subjects already selected for examination during 2009-10:-

(i) Ministry of Civil Aviation

Development and regulation of civil aviation

(ii) Ministry of Statistics and programme implementation.

MPLAD Scheme

The Committee then adjourned.

Modifications/additions made by the Estimates Committee in the Draft Report on the subject 'Drought management, foodgrain production and price situation' pertaining to the Ministry of Consumer Affairs, Food and Public Distribution.

Page No.	Para No.	Line	Modifications/Additions
53	3.3	4 (from top)	**For:** launch **Add:** implement vigorously
54	3.4	10 (from bottom)	**After:** situation **Add:** in collusion with some concerned authorities
55	3.4	First line	**After:** action **Add:** to be taken
59	3.12	6 (from top)	**For:** trade **Add:** traders
60	3.12	First line	**For:** based on the **Add:** under the plea of
64	3.19	At the end	**Add:** The Committee also recommend that fool proof measures should be taken in coordination with State Governments to check issue of fake ration cards. Strict action should be taken against those who indulge in this kind of activity.
64	3.20	Last sentence	**For:** The Committee, therefore, recommend that a complete enumeration of BPL and AAY families should be undertaken by the Central Government in coordination with State Governments so as to have a true list of BPL/AAY families.

			Add: The Committee, therefore, recommend that a complete enumeration of BPL and AAY families should be undertaken on war footing by the Central Government in coordination with State Governments so as to have an exact list of BPL/AAY families. Norms for identification of BPL/AAY families may also be reviewed.
66	3.22	5 (from bottom)	**After:** FCI **Add:** , CWC and SWCs